EXPORT-IMPORT BANK OF INDIA

OCCASIONAL PAPER NO. 161

INDIA'S TRADE AND INVESTMENT RELATIONS WITH CAMBODIA, LAO PDR, MYANMAR, VIETNAM (CLMV) : ENHANCING ECONOMIC COOPERATION

CONTENTS

Project Team:

David Sinate, Chief General Manager
Vanlalruata Fanai, Assistant General Manager
Debapriya Chakrabarti, Manager

LIST OF TABLES

LIST OF CHARTS

LIST OF BOXES

LIST OF ANNEXURES

EXECUTIVE SUMMARY

A BRIEF BACKGROUND OF CLMV COUNTRIES

The CLMV countries, comprising Cambodia, Lao People's Democratic Republic (Lao PDR), Myanmar and Vietnam are integral part of the ASEAN region, covering 32 percent of geographical area of the ASEAN region, and accounting for around 9 percent of ASEAN's Gross Domestic Product (GDP). These countries have been undergoing economic transition from central planning to market economy, from inward-looking to outward - looking economic development strategies and policies. The CLMV economies, which are considered among the fastest growing economies in the region, are primarily agrarian, and have enjoyed certain degree of macroeconomic stability in recent years, with vast potential for future developments.

These economies are endowed with abundant natural resources and low-waged labour forces. However, they are plagued by underdeveloped infrastructure and logistics. Except Vietnam, all the CLMV countries fall under the category of Least Developed Countries (LDCs) as classified by the United Nations. The first CLMV Summit was held in November 2004 in Vientiane, Lao PDR, with the adoption of the Vientiane Declaration on enhancing economic cooperation and integration among CLMV countries. According to the Vientiane Declaration, the seven areas of cooperation among CLMV countries are as follows: trade and investment, agriculture, industry and energy, transport, information technology, tourism, and human resource development. The Declaration showed strong commitment of CLMV countries to strengthen and enhance their cooperation, and promote their integration into cooperation frameworks under the Mekong sub-region, ASEAN and the whole region.

ECONOMIC ENVIRONMENT OF CLMV COUNTRIES

Cambodia

With a population of 15.3 million in 2012, Cambodia falls under the UN's LDC category. It is predominantly agrarian. According to World Bank estimates, services sector accounts for 39 percent of GDP in 2011 (as per the latest data available), followed by agriculture (37 percent) and industry (24 percent). Cambodia has diverse forests which comprise a variety of evergreen, deciduous, mixed and mangrove type. The country is also believed to have significant mineral deposits, some of which include, gemstones, iron-ore, manganese, phosphates and timber. Large scale mineral extraction has not yet commenced and the Cambodian government is committed to developing the sector.

The Cambodian economy has passed through three phases of development: the rehabilitation phase, 1993-1998; the reconstruction phase, 1999-2003; and the economic takeoff phase, 2004-2008. During the rehabilitation phase, economic work focused on implementing market reforms to transform the economy to one that is market-based. During the reconstruction phase, the government focused on the restoration of peace, economic integration into the region and the world, and promotion of socio-economic development. During this period, growth averaged 8.8 percent a year, driven by garments, construction, and tourism, in addition to the primary sector agriculture.

During the economic take-off phase, the government commenced its second generation reforms, particularly implementation of the public financial management reform program. Investments in social sectors and infrastructure were increased to help reduce poverty, particularly in rural areas. Growth averaged 10.3 percent a year, driven by the four engines of growth-garments, tourism, construction, and agriculture. The global economic downturn in 2009 severely impacted the economy as revenues from both garment exports and tourism sector fell, and the Cambodian economy witnessed close to flat growth (0.1 percent). The Cambodian government announced expansionary fiscal measures to mitigate the impact of global financial crisis. In 2009, investments worth US$ 1 billion in infrastructure (primarily transport and irrigation) was announced to stimulate growth. Tax relief was also provided to the most affected sectors. This helped pushing growth to 6.1 percent in 2010 and 7.1 percent in 2011. Growth continued to remain strong at 6.5 percent in 2012, buoyed by a strong export-led manufacturing activity. In absolute terms, GDP amounted to US$ 14.2 billion (IMF estimates) in 2012, with per capita GDP at US$ 933.6.

Lao PDR

The Lao People's Democratic Republic (Lao PDR) continues to develop rapidly, transforming itself into a lower-middle-income country. The seventh Socio-Economic Development Plan for 2011-15 has outlined efforts to achieve Millennium Development Goals by 2015 and create favourable conditions for graduating from LDC by 2020. The World Bank has declared Lao PDR's goal of graduating from UNDP's list of LDC by 2020 as feasible. A resource-based production boom, fuelled by hydropower development for energy exports and mining, has been an important driver behind the country's accelerating growth. The country is reaping the benefits of its investments in infrastructure, economic and social development, and from its outward orientation policies through regional cooperation and integration. The country's continued efforts to forge regional linkages and connectivity were important factors in attracting foreign investors especially in hydropower development for electricity exports. Regional transport linkages improved connectivity to neighbouring countries, resulting in increased intraregional trade.

Driven by mineral exports, investments in hydropower and rising electricity exports, Lao PDR's economy has been growing at a steady pace. Its strong performance continued during the global economic crisis. Lao PDR's real GDP grew by 8.3 percent in 2012, as compared to 8 percent recorded in the previous year. Despite weakness in the global economy, real GDP growth of Lao PDR was supported by moderately strong economic expansion on the part of its main trading partners in the region namely, Thailand, China and Vietnam. The development of several power projects also supported economic growth. In absolute terms, GDP of Lao PDR stood at US$ 9.2 billion in 2012, with per capita GDP at US$ 1,445.5.

Agriculture is the primary means of livelihood for a majority of population but growth in the sector has been poor and productivity is low. Industrial sector dominates the economy of Lao PDR, accounting for 35 percent of the GDP, followed by services sector (34 percent) and agricultural sector (31 percent). The country is endowed with a wide range of mineral deposits, which include tin, lead, gravel, gypsum and salt. There are also small deposits of coal, iron ore, gold, and oil and gas. The most valuable natural resource of Lao PDR are its forests and rivers; the latter have considerable potential for generating hydroelectric power.

Myanmar

Myanmar embarked on a path of political and economic reforms in 2011, paving the way for developing the country's large potential. According to a study by Asian Development Bank (ADB) in 2012, Myanmar could follow Asia's fast growing economies and expand at 7 to 8 percent a year, become a middle income nation, and triple its per capita income by 2030 if it can surmount substantial development challenges by further implementing across-the-board reforms. Improved economic prospects have sparked a surge of interest from foreign investors. Achieving the country's potential depends on maintaining momentum on the government's reform agenda. According to IMF data, Myanmar's real GDP grew to an estimated 6.3 percent in fiscal year 2012, higher than an average of 5 percent in the previous 5 years, driven by increased foreign investments in the country from China, South Korea and Thailand. In absolute terms, Myanmar's GDP stood at an estimated US$ 53.1 billion in 2012, while GDP per capita was US$ 834.6. Prospects for faster economic growth over the medium term remain promising as a result of the improved political environment, the suspension of most international economic sanctions, the move towards exchange rate unification, the easing of foreign currency restrictions, increased FDI, and an acceleration of credit growth.

With the suspension of most Western sanctions in 2012 and their eventual lifting, GDP growth is expected to further strengthen in the coming years, likely to be driven by large projects funded by investors in a number of industries, notably power, petroleum and infrastructure. Improved access to capital and foreign markets is also expected to spur activity in other parts of the economy, such as tourism, textile, manufacturing, construction, agriculture and fisheries.

Services sector dominates the economy, with a share of 41.8 percent of Myanmar's GDP, followed by agriculture (38.8 percent) and industry (19.4 percent). The major industrial sector of Myanmar mainly comprises agricultural processing, wood and wood products, construction materials, pharmaceuticals, fertilizer, oil and natural gas and garments.

Myanmar's natural resources are among its most important assets and source of wealth. Myanmar is rich in natural resources, including natural gas, copper, timber and gemstones. It produces a large share of the world's rubies and teak. Other natural resources of the region include petroleum, tin, antimony, zinc, tungsten, lead, coal, marble, limestone, and hydropower.

Vietnam

Vietnam had suffered from a prolonged war and economic stagnation. Since 1986, the country began rebuilding its economy with the policy of *doi moi* or renovation, involving greater freedom to private enterprise, emphasis on exports, production of consumer goods and encouragement to foreign investors. Substancial progress was achieved from 1986 to 1997, despite the ravages of war, loss of financial support from the old Soviet Bloc and changeover from a centrally planned economy. Real GDP growth averaged around 9 percent (as per IMF) from 1993 to 1997. After a slight dip during 1997 Asian financial crisis, growth averaged 7.5 percent in 2000-2007. GDP grew by a robust 8.4 percent in 2007, driven by strong domestic growth as well as higher investment following the country's accession to WTO in January 2007. The global recession had dampened the export oriented economy. In 2012, real GDP was seen at 5 percent, the slowest since 1999. In absolute terms, GDP has increased to US$ 138.1 billion in 2012 from US$ 122.7 billion in 2011, and GDP per capita stood at US$ 1,527.5.

Industry is the largest sector in Vietnam's economy, accounting for 40 percent of Vietnam's GDP in 2012. The shares of services and agriculture in GDP during the same year were 39 percent and 21 percent, respectively. Vietnam has substantial energy and mineral resources. Its energy resources are a major source of export earnings and support domestic industries. Some of its major resources include phosphates, coal, manganese, rare earth elements, bauxite, chromate, offshore oil and gas deposits, timber, and hydropower.

FDI FLOWS IN CLMV COUNTRIES

In 2012, FDI inflows to the CLMV region amounted to US$ 12.5 billion, which accounts for 11.2 percent of the total inflows in the ASEAN region. In recent years, the CLMV region has benefited from increased FDI inflows, primarily to the infrastructure sector. In particular, in Myanmar, the suspension of Western sanctions has seen increased inflows of investment, particularly from China, South Korea and Thailand. The region, which is characterized as beset with infrastructural bottlenecks thus provide investment ground for foreign investors.

INTERNATIONAL TRADE OF CLMV COUNTRIES

The importance of international trade as a growth facilitator has been recognized by CLMV countries, which is evident from their growth performance in recent years. Rise in both exports from and imports to the region have underlined the increase in total trade of the region. Total trade of the CLMV region grew at an annual average of 21.2 percent from US$ 56 billion in 2003 to US$ 300.7 billion in 2012, underlined by steady exports and imports. Total exports of the region rose from US$ 25.4 billion in 2003 to US$ 144.6 billion in 2012, a rise of more than five-fold. Similarly, imports also rose from US$ 30.6 billion in 2003 to US$ 156 billion in 2012. The sub-region maintained a trade deficit throughout the last decade. This primarily stems from increased imports of capital goods by the sub-region, owing to infrastructural development.

Among the CLMV countries, Vietnam has the largest volume of trade, followed by Myanmar and Cambodia, while Lao PDR has a relatively small external trade. Trade openness, as measured by trade/GDP ratio is very high for Cambodia and Vietnam (over 100 percent); moderate for Lao PDR, while Myanmar is relatively less open. Trade deficit in the CLMV countries amounted to US$ 11.4 billion in 2012. Under the ASEAN Free Trade Area (AFTA) agreement, the CLMV countries are to eliminate duties on all products within the FTA framework by 2015.

INDIA’S BILATERAL RELATIONS WITH CLMV COUNTRIES

The adoption of “Look East Policy” by India in 1992 was an initiative towards developing extensive economic and strategic relations with the ASEAN nations. Since then India has progressed from a dialogue partner to the present status of a strategic partner. The economic and trade linkages which saw an expansion of trade volume showed the intensity of economic engagement. During the last ten years, India's total trade with the CLMV countries has grown from US$ 870.5 million in 2003 to US$ 7.7 billion in 2012, more than an eight-fold increase. Trade balance is in India's favour, with a surplus amounting to US$ 876.9 million in 2012. India has a trade deficit with Myanmar, owing to increased imports of pulses and forest products from the nation. In the last three years, India's trade balance with Lao PDR also flipped to a deficit, stemming from increased imports of copper ores and concentrates from the nation. India's exports to the CLMV countries comprise pharmaceuticals; machinery and instruments; vehicles other than railway; plastics and articles and cotton. On the other hand, India's key imports from the region include rubber and articles; wood and articles of wood; ores, slag and ash; mineral fuels, oils and distillation products and coffee, tea and spices.

Border trade between India and CLMV countries (through Myanmar) has special significance and there is immense potential to enhance bilateral economic relationship due to the geographical continuity with India and Myanmar sharing 1,643 kms of common border in the North Eastern Region. India's four states in the North Eastern Region viz. Mizoram, Manipur, Nagaland and Arunachal Pradesh share international border with Myanmar

India's approved direct investments in joint ventures and wholly owned subsidiaries in the CLMV countries during April 1996-March 2013 amounted to US$ 699.8 million, with the bulk of flows directed to Vietnam (67.6 percent of total flows)

POTENTIAL AREAS FOR ENHANCING BILATERAL TRADE RELATIONS WITH CLMV COUNTRIES

An important strategy to boost trade relations with the CLMV countries would entail identification of potential items of India's exports, which would be based on the following analysis:

- Identification of major categories of the CLMV countries' import basket, and share of India in each product line of imports (based on 2-digit HS code).
- Selection of potential items of India's exports to the member countries, based on low share of India in the CLMV countries' import basket of major commodity categories, keeping in view

India's global export capability. This would entail identification of potential export items under each product category, up to 6-digit HS Commodity Code.

Based on the above criteria, potential items of exports to the CLMV countries are summarized below:

Cambodia

India and Cambodia have maintained strong trade ties over the years with total trade between the two nations seen at US$ 120 million in 2012. India has achieved a respectable share in only a few commodities out of the major import categories of Cambodia. For instance, India's share in Cambodia's imports of pharmaceuticals was seen at 16.7 percent, manmade staple fibres at 5.4 percent and raw hides and leather at 5 percent. India's share in the other major import items of Cambodia continues to remain marginal. This essentially highlights the potential for enhancing such exports to Cambodia.

Based on the above criterion, potential items of exports to Cambodia at the 2-digit HS Code Classification would include the following items:

- Knitted or crocheted fabric (HS-60)
- Machinery and Instruments (HS-84)
- Vehicles other than Railway, Tramway (HS-87)
- Electrical, Electronic Equipment (HS-85)
- Sugar and sugar confectionery (HS-17)
- Plastics and articles (HS-39)
- Other made textile articles, sets, worn clothing (HS-63)
- Articles of Iron or Steel (HS-73)
- Rubber and articles (HS-40)
- Pearls, precious stones, metals, coins (HS-71)
- Manmade filaments (HS-54)
- Iron and Steel (HS-72)

Lao PDR

India's bilateral trade with Lao PDR has risen steadily over the years from US$ 0.7 million in 2003 to US$ 171 million in 2012. However, India's share in global imports of Lao PDR remains negligible, with the exception of meat and edible meat offal. This essentially highlights the potential for enhancing such exports to Lao PDR.

Potential items of export to Lao PDR at 2-digit HS Code Classification would include the following categories of exports:

- Mineral fuels, oils and distillation product (HS- 27)

- Vehicles other than Railway, Tramway (HS-87)
- Machinery and Instruments (HS-84)
- Electrical, Electronic Equipment (HS- 85)
- Articles of Iron or Steel (HS-73)
- Aircraft, spacecraft and parts thereof (HS-88)
- Iron and Steel (HS-72)
- Beverages, spirits and vinegar (HS- 22)

Myanmar

Trade relations between India and Myanmar have witnessed a steady growth in recent years, with India's trade having risen from US$ 437 million in 2003 to around US$ 2 billion in 2012, more than four-fold increase. India however maintains a trade deficit with Myanmar, owing to its higher imports. India has achieved a respectable share in only few products out of the major import categories of Myanmar. For instance, India accounts for a sizable share in Myanmar's imports of pharmaceutical products (accounting for a share of 37 percent), essential oils, perfumes, and cosmetics (6.6 percent), rubber and articles (6.2 percent), articles of iron or steel (5.6 percent), cotton (5.6 percent), and iron and steel (5.5 percent). India's share in the other major import items of Myanmar continues to remain marginal, which highlights the potential for enhancing such exports to Myanmar. Potential items of export to Myanmar would include the following categories of exports:

- Vehicles other than Railway and Tramway (HS-87)
- Machinery and Instruments (HS-84)
- Mineral fuels, oils and distillation products (HS-27)
- Electrical, Electronic Equipment (HS-85)
- Animal, vegetable fats and oils (HS-15)
- Plastics and articles (HS-39)
- Manmade staple fibres (HS-55)
- Ships, boats and other floating structures (HS-89)
- Salt, sulphur, lime and cement (HS-25)
- Optical, technical and medical apparatus (HS-90)
- Paper and paperboard (HS-48)
- Manmade filaments (HS-54)
- Organic chemicals (HS-29)
- Furniture, lighting, signs, prefabricated buildings (HS-94)
- Footwear, gaiters and parts (HS-64)

Vietnam

India's trade with Vietnam is export led. India's exports to Vietnam in 2012 amounted to US$ 3.7 billion, rising significantly from US$ 379 million in 2003. However, India's share in Vietnam's global imports is low at 2.9 percent. Apart from India's relatively high share in Vietnam's global imports of cotton (5.7 percent), fish, crustaceans and aquatic invertebrates (20.3 percent), residues, wastes of food industry, animal fodder (12.6 percent), meat and edible meat offal (45.1 percent), pharmaceutical products (9 percent), oilseeds, oleagic fruits etc (28.5 percent), raw hides, skins and leather (5.5 percent), and cereals (28.4 percent), India's share in other major imports of Vietnam like machinery and instruments; electrical, electronic equipment; iron and steel; plastics and articles on the other hand remain low.

Potential items for India's exports to Vietnam can, therefore, be identified as:

- Electrical, Electronic Equipment (HS-85)
- Machinery and Instruments (HS-84)
- Mineral fuels, oils and distillation products (HS-27)
- Iron and Steel (HS-72)
- Plastics and articles (HS-39)
- Articles of apparel, accessories, knit or crochet (HS-61)
- Edible fruit, nuts (HS-08)
- Vehicles other than Railway, Tramway (HS-87)
- Optical, photo, technical, medical, etc apparatus (HS-90)
- Organic chemicals (HS-29)
- Articles of Iron or Steel (HS-73)
- Manmade filaments (HS-54)
- Manmade staple fibres (HS-55)
- Aluminium and articles (HS-76)
- Paper and paperboard (HS-48)
- Rubber and articles (HS-40)
- Aircraft, spacecraft, and parts thereof (HS-88)
- Miscellaneous chemical products (HS-38)
- Copper and articles thereof (HS-74)

EXIM BANK INDIA'S ENDEAVOURS TO HARNESS SYNERGIES WITH CLMV COUNTRIES

Countries in the South East Asia region have been a focus region for Export-Import Bank of India (Exim Bank India), and thus form a critical component of the Exim Bank India's strategy to promote and support two-way trade and investment. Exim Bank India provides a comprehensive range of financing, advisory and support programmes to promote and facilitate India's trade and investment relations with the South East Asian countries, including CLMV countries. Exim Bank India plays the role of a catalyst for investment in CLMV region by extending loans to Indian companies for investment in the region and entering into various collaborative programmes.

A. Financing Programmes

(i) Lines of Credit (LOCs)

To promote bilateral and regional commercial relations, Exim Bank India extends Lines of Credit (LOCs) to governments, parastatal organizations, financial institutions, commercial banks and regional development banks to support export of eligible goods on deferred payment terms. As on September 16, 2013, operative LOCs covering the CLMV region extended by Exim Bank India, at the behest of Government of India include:

Cambodia: Three LOCs amounting to US$ 65.2 million have been extended to the Government of Cambodia for the following purposes:

- Electricity transmission line
- Water development projects

Lao PDR: Four LOCs amounting to US$ 153.8 million have been extended to the Government of Lao PDR for the following purpose:

- Electricity transmission line
- Irrigation projects
- Hydropower projects

Myanmar: A total of seven LOCs amounting to US$ 247.4 million were extended to Myanma Foreign Trade Bank for a range of projects, including railway infrastructure, manufacturing of vehicles, upgradation of petrochemical complex, telecommunication, refinery assembly plant, hydropower project and transmission lines.

During Indian Prime Minister's visit to Myanmar in May 2012, an MOU for LOCs aggregating to US$ 500 million was signed between Exim Bank India and Myanma Foreign Trade Bank. Under this MOU, 16 ongoing irrigation schemes, 2 irrigation projects, project for procurement of rolling stock, equipment and upgradation of three major railway workshops in Myanmar are covered.

Vietnam: Three LOCs amounting to US$ 91.5 million extended to the Government of Vietnam covering, among others, the following sectors:

- Hydropower projects
- Exports of textile machinery and equipment

(ii) Supporting Project Exports

Exim Bank India extends both funded and non-funded facilities for overseas turnkey projects, civil construction, supplies as well as technical and consultancy service contracts across various sectors of the economy.

As on March 31, 2013, 21 project contracts valued at ₹ 5,918.9 crore supported by the Bank were under execution in the CLMV countries. Out of these, 16 contracts valued at ₹ 1,551.9 crore are under Government of India supported LOCs.

Cambodia

- Stung Tasal Water Resources Development Project and Construction of electric transmission line between Kratie and Stung Treng

Lao PDR

- Development of irrigation schemes in the Champassack Province
- Equipment/ goods/ services for Construction of 230 KV and 115 KV Transmission Line and Associated Sub Station in conformity

Myanmar

- Design & engineering, supply of the equipments and supervision of erection of equipments
- Contract for design, procurement and construction of 205 kms gas pipeline from Kyaukphyu main station in South Myanmar to KP 205 block valve station in central Myanmar
- Bentonite Bore Pile Equipment
- Renovation of Thanbayakan Petrochemical Complex
- Oakshitpin -- Taungup 230 KV Transmission Line and Substation project, as well as Taungup - Maei - Ann - Mann 230 KV Transmission Line and Substation project

Vietnam

- Supply of complete electro-mechanical equipment and technical services for Nam Chien Hydropower Project

(iii) Finance for Joint Ventures

With a view to support Indian companies in their endeavour to globalise their operations, Exim Bank India operates a programme to support overseas investments by Indian companies through Joint ventures (JVs)/ Wholly Owned Subsidiaries (WoS). Such support includes loans and guarantees, equity finance and in select cases direct participation in equity along with the Indian promoter, to set up such ventures overseas. As on March 31, 2013, Exim Bank India has provided finance to 5 Indian companies for setting up ventures in Vietnam, with sanctioned amount of ₹ 129 crore. Companies supported include:

- Vallabhdas Kanji Limited
- Ngon Coffee Company Limited
- Vietnam Abresives Company Limited
- Tufropes Vietnam company Limited
- NGON Coffee Company Limited

B. Institutional Linkages

Exim Bank India has a wide network of alliances with financial institutions and investment promotion agencies, market promotion boards and service providers across the globe for assisting externally oriented Indian companies in their quest for excellence and globalization. In the CLMV region, Exim Bank India has entered into MOU with Investment and Trade Promotion Centre, Vietnam to promote bilateral trade and investments between the two countries.

C. Exim Bank India: Experience Sharing

Exim Bank India is well positioned to share its experience and expertise in the fields of capacity creation, institutional strengthening, export development and export capability creation. The Bank is thus well placed to provide a range of technical assistance in these fields. Exim Bank India has rendered consultancy services to a number of institutions in South East Asia region such as:

- Study on Regional Co-operation in Export Finance and Export Credit Guarantees for the Economic and Social Commission for Asia and Pacific (ESCAP) (includes ASEAN countries)
- Designing Export Marketing Seminars for SMEs in Vietnam

D. Forum on Asian Export Credit Agencies

With a view to enhance cooperation and forge a stronger linkage among its member institutions, the first meeting of Asian Export Credit Agencies (ECAs) was held in India in 1996 at the initiative of Exim Bank India , which led to the formation of the Asian ECA Forum. Members comprise ECAs from India, China, Japan, Indonesia, Korea, Malaysia, Thailand, Philippines, Vietnam, Cambodia and Australia.

The objective of Asian ECA Forum is to enhance cooperation and forge stronger linkages among its member institutions, thereby fostering a long-term relationship with the Asian ECA community. The annual meetings serve as a forum for discussing a wide range of issues focused on fostering common understanding as well as exchanging and sharing information. Together, the endeavor is to meet the challenges faced as an export credit agency in Asia and explore possible areas for further regional cooperation.

E. Research Studies

Exim Bank India carries out research on areas related to bilateral trade and investment, sector/product/country and regional studies, as also policy issues relating to the external sector, with a view to enhancing competitiveness of Indian exporters. The published research studies related to CLMV are:

- ASEAN Countries: A Study of India's Trade and Investment Potential
- BIMSTEC Initiative: A Study of India's Trade and Investment Potential with Select Asian Countries
- Enhancing India-Myanmar Trade and Investment Relations: A Brief Analysis

F. Representative Offices

Exim Bank India has two representative offices in the ASEAN region - Singapore and Yangon. These offices seek to establish and maintain relationships with multilateral agencies, regional development institutions, trade and investment promotion bodies, international banks, chambers of commerce, government departments and institutions in various South East Asian countries including CLMV countries and identify areas of cooperation. The representative offices play a role in facilitating India's economic cooperation with ASEAN countries (including CLMV), while keeping close coordination with Indian Missions in the region. The offices project Bank's capabilities in financing India's international trade and investment, as also keeps the Bank abreast of the developments in the economic and banking/financial sectors of the South East Asian Region, including CLMV countries.

STRATEGIES AND RECOMMENDATIONS FOR ENHANCING BILATERAL COMMERCIAL RELATIONS IN CLMV COUNTRIES

A. Cooperation in the Agriculture and Allied Sector

The CLMV countries are primarily agrarian with agriculture and allied activities forming the backbone as majority of population in the CLMV countries depend on it for their livelihood. The region has the advantage of natural resources, fertile agro-ecosystems, and rich biodiversity. However, agro-industries in this sub-region of the ASEAN region are mostly underdeveloped, leaving significant opportunity for development of agro-based industries.

Towards this end, LOCs extended by Exim Bank India to these countries serve to contribute towards the development of agricultural and related activities in the region. With such LOCs in place, Indian entrepreneurs and experts could increase exports of agri-related machinery and equipment to the region, thus enhancing bilateral cooperation in the agricultural sector, as also the overall development of the region.

B. Natural Resource Development

As the CLMV countries are endowed with mineral wealth and natural resources, India could share its expertise and experience for development/exploration of natural resources in these countries. For instance, Myanmar has abundant mineral and energy resources, as well as large hydro-electric potential. Cambodia has rich reserves of iron-ore, manganese and phosphates. Vietnam has substantial energy and mineral resources. Some of its major resources include phosphates, coal, manganese, rare earth elements, bauxite, chromate, offshore oil and gas deposits, timber, and hydro-power. Similarly, Lao PDR is endowed with a wide range of mineral deposits, the most important of which include tin, lead, gravel, gypsum and salt. There are also small deposits of coal, iron ore, gold, and oil and gas. The most valuable natural resources of Lao PDR are its forests and rivers; the latter have considerable potential for generating hydroelectric power

In light of these, increased cooperation between India and the CLMV countries in developing/exploring mineral resources, with bilateral arrangements such as buy-back arrangements could be an important strategy to enhance commercial relations.

C. Cooperation in Infrastructure Development

An important area of bilateral cooperation could be infrastructure development in the CLMV countries. With an increasing need for better infrastructural facilities, together with the endeavour of the CLMV countries for rapid economic growth, investment in infrastructure development could prove to be a mutually rewarding area of bilateral cooperation. Lack of forward and backward linkages between different modes of transportation, poorly equipped ports, lack of a well developed railway network and inadequate access to all - season roads are some of the key problems which the low-income CLMV countries are beset with. Areas that provide investment opportunities include development of highways and roadways, development of railway networks and power systems, which could help in regional integration to a great extent. Large Indian construction companies could explore business opportunities to meet infrastructural requirements in the CLMV countries, thus contributing largely to economic development in these countries.

D. Cooperation in SME Sector

SME sector development in the CLMV countries are constrained by a number of factors like lack of accessibility to modern technology, limited access to international markets, lack of management skills and training, and lack of finance. Towards developing entrepreneurship and human capability, India could share its expertise and experience with these countries, particularly in the SME sector wherein India has developed successful SME clusters. An important element in this direction would be for delegations from these countries to visit India to study success factors of SME clusters in India, and developing similar clusters in their countries based on resource and skill endowments. In addition, the CLMV countries could tie up with Indian institutions such as Entreprenuership Development Institute of India (EDPI), Ahmedabad and National Small Industries Cooperation Ltd. (NSIC), New Delhi towards entrepreneurship development and human capability creation. Further, Indian institutions could also share their expertise in the fields of institutional strengthening, export development and export capability creation in the region, in the form of technical assistance and sharing of expertise through site visits. SME financing is another area where Exim Bank India could support this sector. Exim Bank India has extended several LOCs to various countries for the development of their SME sectors.

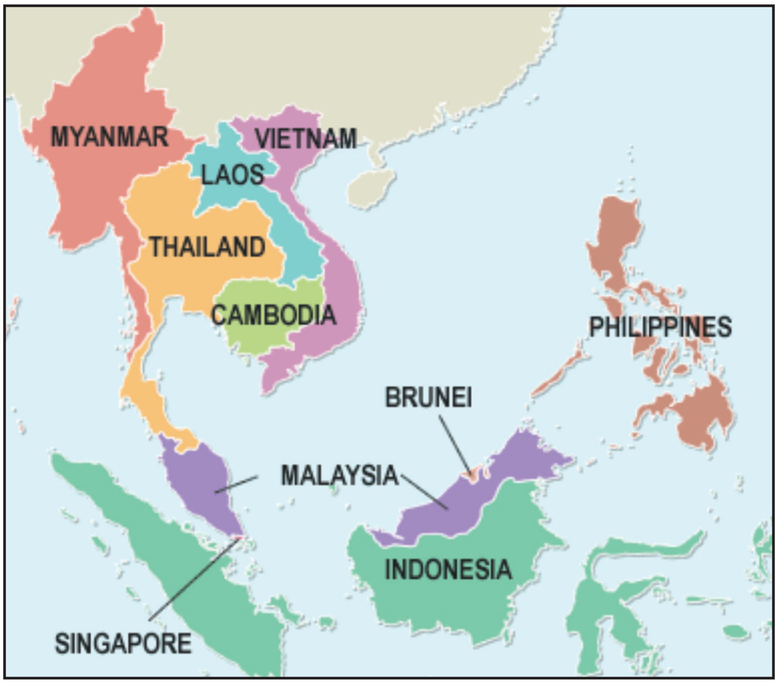
E. Focus on Multilateral Funded Projects

Besides participating in investment activities that are promoted by the respective governments of the CLMV countries, Indian companies could also endeavor to participate in multilateral funded projects. Multilateral institutions such as the World Bank and Asian Development Bank are active in funding development projects in the CLMV region. They broadly cover areas such as agriculture and allied activities, infrastructure development such as roads, telecommunication, postal services, electricity, water supply and sanitation; mining and quarrying; rural and urban development; environment and natural resource development; healthcare and education; financial market development; and tourism development. At the same time, efforts to participate in technical assistance in terms of project preparation and advisory services in such funded projects would support increased presence in the region. Besides, Indian institutions could co-invest with Indian companies in select projects, and encourage partnership with local entrepreneurs and local investment agencies.

1. A BRIEF BACKGROUND OF CAMBODIA, LAO PDR, MYANMAR, VIETNAM (CLMV)

The CLMV countries, comprising Cambodia, Lao People's Democratic Republic (Lao PDR), Myanmar and Vietnam are integral part of the ASEAN region **(Annexure 1)**, covering 32 percent of geographical area of the ASEAN region, and accounting for around 9 percent of ASEAN's Gross Domestic Product (GDP) **(Chart 1.1, Table 1.1)** in 2012. These countries have been undergoing economic transition from central planning to market economy, from inward-looking to outward-looking economic development strategies and policies. The CLMV economies, which are considered the fastest growing economies in the region **(Chart 1.2)**, are primarily agrarian, and have enjoyed certain degree of macroeconomic stability in recent years, with vast potential for future developments.

Chart 1.1: CLMV Countries and the ASEAN Region



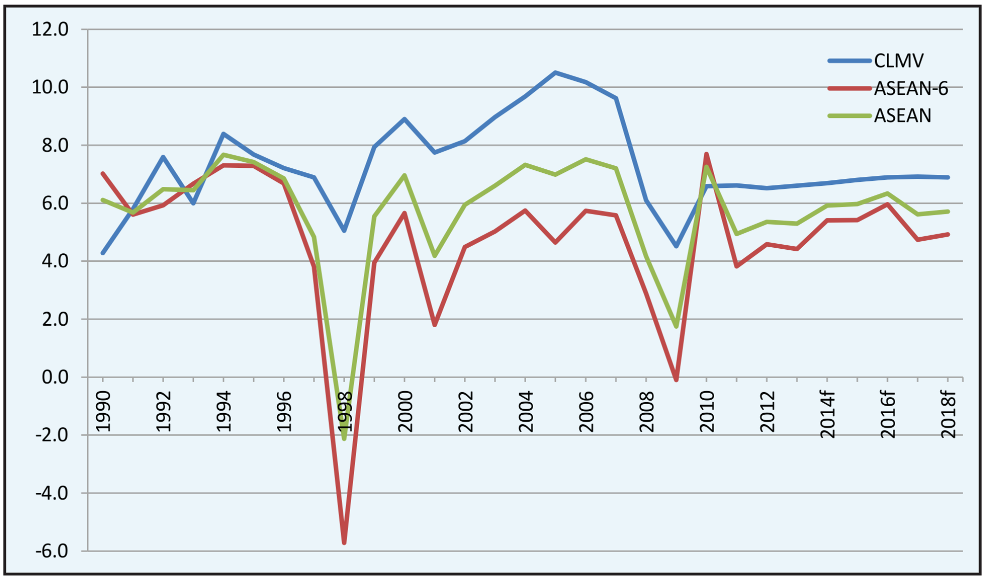
Source: World Atlas

Table 1.1: Macroeconomic Snapshot of the CLMV countries

Countries	Total Area	Popu-lation, 2012	GDP 2012	GDP Growth Rate (%)		Ex-ports 2012	Im-ports 2012	GDP per capita 2012	Trade/ GDP ratio 2012
	'000 square km	million	US$ billion	2007	2012	US$ billion	US$ billion	US$	%
Brunei	5.8	0.4	16.6	0.2	1.3	12.7	5.9	41702.7	111.3
Indonesia	1890.8	244.5	878.2	6.3	6.2	190.0	191.7	3592.3	43.5
Malaysia	330.3	29.5	303.5	6.3	5.6	227.3	196.4	10304.2	139.6
Philippines	300.0	95.8	250.4	6.6	6.6	52.0	65.4	2614.2	46.9
Singapore	0.7	5.4	276.5	9.0	1.3	408.4	379.7	51161.6	285.0
Thailand	513.3	64.4	365.6	5.0	6.4	229.5	247.6	5678.5	130.5
ASEAN-6	**3040.9**	**439.9**	**2090.9**	**5.6**	**4.6**	**1119.9**	**1086.7**	**4753.0**	**105.5**
Cambodia	181.0	15.3	14.2	10.2	6.5	8.7	11.1	933.6	139.1
Lao PDR	236.8	6.4	9.2	7.8	8.3	2.8	5.4	1445.5	87.9
Myanmar	676.6	63.7	53.1	12.0	6.3	9.7	15.5	834.6	47.4
Vietnam	330.4	90.4	138.1	8.5	5.0	123.5	124.1	1527.5	179.3
CLMV	**1424.8**	**175.7**	**214.7**	**8.2**	**6.2**	**144.7**	**156.1**	**1221.9**	**140.1**
ASEAN-10	4465.7	615.6	2305.5	7.2	5.4	1264.6	1242.8	5974.9	108.7
CLMV/ ASEAN-10 (%)	**31.9**	**28.5**	**9.3**	**-**	**-**	**11.4**	**12.6**	**-**	**-**

- Not applicable.
Source: IMF; Trade Map, ITC, Geneva; Exim Bank India Analysis.

Chart 1.2: GDP Growth Rates of CLMV and ASEAN



f - forecast
Source: Asian Development Bank (ADB)

Over the past few decades, these countries have steadily caught up with the more advanced ASEAN economies, which was reflected in the decline in ratio of average per capita GDP of ASEAN-6 to CLMV countries from over eleven times in 1990 to about four times in 2010. According to a study by ADB Institute, the ratio is expected to narrow further by 2030; the ratio is expected to fall further to about 3 times.

These economies are endowed with abundant natural resources, low-waged labour forces and young and growing population. However, they are plagued by underdeveloped infrastructure and logistics. Except Vietnam, all the CLMV countries fall under the category of Least Developed Countries (LDCs) as classified by the United Nations (UN). The first CLMV Summit was held in November 2004 in Vientiane, Lao PDR, with the adoption of the Vientiane Declaration on enhancing economic cooperation and integration among CLMV countries. According to the Vientiane Declaration, the seven areas of cooperation among CLMV countries are as follows: trade and investment, agriculture, industry and energy, transport, information technology, tourism, and human resource development. The Declaration showed strong commitment of CLMV countries to strengthen and enhance their cooperation, and promote their integration into cooperation frameworks under the Mekong sub-region, ASEAN and the whole region.

Among the CLMV countries, Vietnam has the largest volume of trade, followed by Myanmar and Cambodia, while Lao PDR has a relatively small external trade. Trade openness, as measured by trade/GDP ratio is very high for Cambodia and Vietnam (over 100 percent); moderate for Lao PDR while Myanmar is relatively less open. Trade deficit in the CLMV countries amounted to US$ 11.4 billion in 2012. Under the ASEAN Free Trade Area (AFTA) agreement **(Annexure 2)**, the CLMV countries are to eliminate duties on all products within the FTA framework by 2015.

In 2012, Foreign Direct Investment (FDI) inflows to the CLMV region amounted to US$ 12.5 billion, which accounts for 11.2 percent of the total inflows in the ASEAN region. In recent years, the CLMV region has benefited from increased FDI inflows, primarily to the infrastructure sector. In particular, in Myanmar, the suspension of Western sanctions has seen increased inflows of investment, particularly from China, South Korea and Thailand. The CLMV region, which is characterized as beset with infrastructural bottlenecks thus provide investment ground for foreign investors.

2. ECONOMIC ENVIRONMENT OF CLMV COUNTRIES

Over the last decade, the CLMV countries have shown remarkable economic growth, stemming from sustained FDI that was facilitated by improved physical infrastructure, low labour cost and preferential market access treatment by developed countries' market. This chapter analyses recent trends in economic growth in the CLMV countries.

Cambodia

With a population of 15.3 million in 2012, Cambodia falls under the UN's LDC category. It is predominantly agrarian. According to World Bank estimates, services sector accounts for 39 percent of GDP in 2011 (as per the latest data available), followed by agriculture (37 percent) and industry (24 percent). Cambodia has diverse forests which comprise a variety of evergreen, deciduous, mixed and mangrove type. The country also has significant mineral deposits, some of which include, gemstones, iron-ore, manganese, phosphates and timber. Large scale mineral extraction has not yet commenced and the Cambodian government is committed to developing the sector.

The Cambodian economy has passed through three phases of development: the rehabilitation phase, 1993-1998; the reconstruction phase, 1999-2003; and the economic takeoff phase, 2004–2008. During the rehabilitation phase, economic work focused on implementing market reforms to transform the economy to one that is market-based. During the reconstruction phase, the government focused on the restoration of peace, economic integration into the region and the world, and promotion of socio-economic development. During this period, growth averaged 8.8 percent a year, driven by garments, construction, and tourism, in addition to the primary sector.

During the economic take-off phase, the government commenced its second generation reforms, particularly implementation of the public financial management reform program. Investments in social sectors and infrastructure were increased to help reduce poverty, particularly in rural areas. Growth averaged 10.3 percent a year, driven by the four engines of growth-garments, tourism, construction, and agriculture. The global economic downturn in 2009 severely impacted the economy as revenues from both garment exports and tourism sector fell, and the Cambodian economy witnessed close to flat growth (0.1 percent). The Cambodian government announced expansionary fiscal measures to mitigate the impact of global financial crisis. In 2009, investments worth US$ 1 billion in infrastructure (primarily transport and irrigation) was announced to stimulate growth. Tax relief was also provided to the most affected sectors. This helped pushing growth to 6.1 percent in 2010 and 7.1 percent in 2011. Growth continued to remain strong at 6.5 percent in 2012, buoyed by a strong export-led manufacturing activity. In absolute terms, GDP amounted to US$ 14.2 billion in 2012, with per capita GDP at US$ 933.6 **(Table 2.1)**.

Table 2.1: Macroeconomic Snapshot of Cambodia

Item	2008	2009	2010	2011	2012	2013[f]	2014[f]
Real GDP (percent change)	6.7	0.1	6.1	7.1	6.5	6.7	7.2
GDP, current prices (US$ billion)	10.4	10.4	11.3	12.9	14.2	15.7	17.3
GDP per capita, (US$)	710.9	703.4	752.7	853.5	933.6	1017.2	1111.0
Inflation, average (percent change)	25.0	-0.7	4.0	5.5	2.9	3.1	4.3
Population (million)	14.6	14.8	15.0	15.1	15.3	15.4	15.6
Current account balance (percent of GDP)	-5.7	-4.5	-3.9	-8.1	-10.0	-9.9	-7.7
External debt (percent of GDP)	31.6	33.8	34.1	33.6	31.3	30.7	29.8
Reserves (US$ million)	2641.0	3288.0	3802.0	4069.0	4938.0	5274.0	5805.0
Exchange rate (CR:US$)	4054.2	4139.0	4185.0	4059.0	4033.0	3994.0	3975.0

f: forecast
Source: IMF; Economist Intelligence Unit (EIU)

Inflation reached a peak of 25 percent in 2008. This was attributed to a drastic change in the composition of commodity basket for weighing inflation. In addition, the sharp hike in food prices and rise in transportation costs also contributed to the spiraling of inflation. In stark contrast, a deflation was observed in 2009 owing to easing of global commodity prices, resulting from the global recession. Inflation remained steady in 2010 and 2011 as compared to the fluctuations in the earlier two years. A moderation of food prices eased inflation to 2.9 percent in 2012.

Cambodia has relied heavily on FDI to finance its saving-investment gap. Recent FDI flows have been harnessed into public-private initiatives to improve power generation. The economy's relatively open trade and investment regimes, combined with Cambodia's proximity to some of the most dynamic economies in the world, have also attracted FDI in the manufacturing sector. Sustaining strong growth in Cambodia will require further economic diversification and strengthened macroeconomic policies. Although nascent signs of product diversification have been emerging, removing infrastructure bottlenecks and improving the business climate will remain critical for attracting private investment and for further diversification.

Cambodia's good market potential is underpinned by a strong projected economic growth, bolstered by rising household purchasing power and a population of around 15.3 million which is expanding rapidly. Improved infrastructure is encouraging industrial development beyond the traditional garment sector; for instance, some foreign investors are moving into automotive components and bicycles.

The National Bank of Cambodia (NBC- the Central Bank) has accumulated substantial foreign-exchange reserves in recent years as a result of substantial capital inflows, including FDI. Special Economic Zones (SEZs) established in recent years are attracting investments, mainly in light industry. Although the substantial deficit on the current account exerts a downward pressure on the riel's (local currency) value, the currency has been supported by foreign inflows. However, given the continuing lack of confidence in the riel, the US dollar remains the currency of choice in Cambodia for trade and investment. The International Monetary Fund (IMF) views the riel exchange rate regime as floating but it is effectively a sliding peg to the US dollar that allows for broad exchange rate stability while compensating for inflation differentials. Owing to extensive dollarization of the economy, there are very few levers available with the NBC to regulate the economy.

The IMF analysis of debt sustainability published in 2013 saw Cambodia at low risk of debt distress. It cautioned that structural reform and revenue mobilization, as well as the careful management of potential contingent liabilities from power-generation projects, will be important to ensuring long-term debt sustainability.

Lao PDR

The Lao People's Democratic Republic (Lao PDR) continues to develop rapidly, transforming itself into a lower-middle-income country. The seventh Socio-Economic Development Plan for 2011-15 has outlined efforts to achieve Millennium Development Goals by 2015 and create favourable conditions for graduating from LDC by 2020. The World Bank has declared Lao PDR's goal of graduating from UNDP's list of LDC by 2020 as feasible. A resource-based production boom, fuelled by hydropower development for energy exports and mining, has been an important driver behind the country's accelerating growth. The country is reaping the benefits of its investments in infrastructure, economic and social development, and from its outward orientation policies through regional cooperation and integration. The country's continued efforts to forge regional linkages and connectivity were an important factor in attracting foreign investors especially in hydropower development for electricity exports. Regional transport linkages improved connectivity to neighbouring countries, resulting in increased intraregional trade.

Driven by mineral exports, investments in hydropower and rising electricity exports, Lao PDR's economy has been growing at a steady pace. Its strong performance continued during the global economic crisis. Lao PDR's real GDP grew by 8.3 percent in 2012, as compared to 8 percent recorded in the previous year **(Table 2.2)**. Despite weakness in the global economy, real GDP growth of Lao PDR was supported by moderately strong economic expansion on the part of its main trading partners in the region namely, Thailand, China and Vietnam. The development of several power projects also supported economic growth. In absolute terms, GDP of Lao PDR stood at US$ 9.2 billion in 2012, with per capita GDP at US$ 1,445.5.

Agriculture is the primary means of livelihood for a majority of population but growth in the sector has been poor and productivity is low. Industrial sector dominates the economy of Lao PDR, accounting for 35 percent of the GDP, followed by services sector (34 percent) and agricultural sector

Table 2.2: Macroeconomic Snapshot of Lao PDR

Item	2008	2009	2010	2011	2012	2013[f]	2014[f]
Real GDP (percent change)	7.8	7.5	8.1	8.0	8.3	8.0	7.7
GDP, current prices (US$ billion)	5.3	5.6	6.9	8.3	9.2	10.3	11.2
GDP per capita, (US$)	878.9	915.7	1105.4	1320.2	1445.5	1587.2	1707.6
Inflation, average (percent change)	7.6	0.0	6.0	7.6	4.3	7.3	4.7
Population (million)	6.0	6.1	6.2	6.3	6.4	6.5	6.6
Current account balance (percent of GDP)	-18.5	-21.0	-18.3	-21.4	-21.8	-23.4	-23.3
External debt (percent of GDP)	48.7	48.1	41.0	36.0	33.6	-	-
Reserves (US$ million)	629.0	609.0	703.0	741.0	781.0	-	-
Exchange rate (K:US$)	8744.0	8516.0	8259.0	8030.0	8007.0	7876	7818

f: forecast; - not available

Source: IMF; EIU

(31 percent). The country is endowed with a wide range of mineral deposits, which include tin, lead, gravel, gypsum and salt. There are also small deposits of coal, iron ore, gold, and oil and gas. The most valuable natural resource of Lao PDR are its forests and rivers; the latter have considerable potential for generating hydroelectric power.

In 2013, IMF and the World Bank analyzed debt sustainability of Lao PDR and consequently reclassified its risk of debt distress to moderate from high.

Myanmar

Myanmar embarked on a path of political and economic reforms in 2011, paving the way for developing the country's large potential. According to a study by ADB in 2012, Myanmar could follow Asia's fast growing economies and expand at 7 percent to 8 percent a year, become a middle income nation, and triple its per capita income by 2030 if it can surmount substantial development challenges by further implementing across-the-board reforms. Improved economic prospects have sparked a surge of interest from foreign investors. Achieving the country's potential depends on maintaining momentum on the government's reform agenda.

According to IMF data, Myanmar's real GDP grew to an estimated 6.3 percent in fiscal year 2012, higher than an average of 5 percent in the previous 5 years, driven by increased foreign investments in the country from China, South Korea and Thailand **(Table 2.3)**. In absolute terms, Myanmar's GDP stood at an US$ 53.1 billion in 2012, while GDP per capita was US$ 834.6. Prospects for faster economic growth over the medium term remain promising as a result of the improved political environment, the suspension of most international economic sanctions, the move toward exchange rate unification, the easing of foreign currency restrictions, increased FDI, and an acceleration of credit growth.

With the suspension of most Western sanctions in 2012 and their eventual lifting, GDP growth is expected to further strengthen in the coming years, likely to be driven by large projects funded by investors in a number of industries, notably power, petroleum and infrastructure. Improved access to capital and foreign markets is also expected to spur activity in other parts of the economy, such as tourism, textile, manufacturing, construction, agriculture and fisheries.

Services sector dominates the economy, with a share of 41.8 percent of Myanmar's GDP, followed by agriculture (38.8 percent) and industry (19.4 percent). The major industrial sector of Myanmar mainly comprises agricultural processing, wood and wood products, construction materials, pharmaceuticals, fertilizer, oil and natural gas and garments.

Myanmar's natural resources are among its most important assets and a source of wealth. Myanmar is rich in natural resources, including natural gas, copper, timber and gemstones. It produces a large share of the world's rubies and teak. Other natural resources of the region include petroleum, tin, antimony, zinc, tungsten, lead, coal, marble, limestone, and hydropower.

Myanmar suffers from high structural inflation and is exposed to fluctuations in the prices of imported fuels and local agricultural produce. Inflation has subsided since 2008, when it exceeded 20 percent. This follows reduced monetization of the fiscal deficit and a stronger kyat exchange rate in the unofficial market. Inflation has remained in single digit since 2009, mainly because of the government's shift from central bank financing to partial bond financing of the budget deficit and the decline in international commodity prices.

Central bank financing of the fiscal deficit has been the primary cause of Myanmar's high inflation regime in the past 2 decades. The IMF's debt sustainability assessment carried out in 2012 concluded that Myanmar should remain classified as in debt distress due to the continued presence of substantial arrears. ADB has been working with the government and in collaboration with the IMF, the World Bank, and bilateral creditors (including the Paris Club) on the arrears clearance. Arrears to ADB and the World Bank were cleared in January 2013, allowing both banks to renew lending to the country. The Paris Club of creditors also reached an agreement to cancel or reschedule arrears.

The local currency of Myanmar is kyat. The exchange rate has been changed from a peg to a managed float. On April 1, 2012 Myanmar removed its system of multiple exchange rates by unifying the official and black market exchange rates for the kyat, effectively seeing a massive devaluation of the currency. As state enterprises are net exporters, the exchange rate realignment boosted budget receipts, including export tax income and customs duties.

Table 2.3: Macroeconomic Snapshot of Myanmar

Item	2008	2009	2010	2011	2012	2013[f]	2014[f]
Real GDP (percent change)	3.6	5.1	5.3	5.5	6.3	6.5	6.6
GDP, current prices (US$ billion)	31.4	35.2	45.4	51.4	53.1	57.4	62.2
GDP per capita, (US$)	533.5	587.3	741.7	824.2	834.6	884.3	939.1
Inflation, average (per-cent change)	22.5	8.2	8.2	4.0	6.1	6.5	5.1
Population (million)	58.8	60.0	61.2	62.4	63.7	65.0	66.3
Current account balance (percent of GDP)	-3.3	-2.8	-1.3	-2.6	-4.2	-4.5	-5.1
External debt (percent of GDP)	22.8	21.9	17.2	15.1	10.6	9.4	8.0
Reserves (US$ million)	3730.0	5265.0	5730.0	7017.0	6977.0	8278	8727
Exchange rate (Kt:US$)	5.4	5.6	5.6	5.4	853.5	947.93	998.5

f: forecast;
Source: IMF; EIU

Box 1.1: Lifting of Sanctions in Myanmar

Beginning in the 1990s, a number of countries led by USA implemented a wide range of restrictions on Myanmar in several stages over 20 years in response to the crackdown on pro-democracy protests and the re-establishment of military rule. These sanctions included bans on certain imports, exports and investments, as well as restrictions on the provision of services, asset freezes, limits to aid assistance and foreign travel bans for those connected to the military regime. The sanctions had made doing business in the country difficult. Limits on imports meant supply lines often needed to be entirely domestic. Export restrictions reduced sales potential for Myanmar based operations. Sanctions of various types required additional due diligence for business transactions, increasing administrative costs.

Recent developments in the country have improved relations with the international community, and there has been progress on the easing of sanctions. In April 2012, the European Union (EU) suspended all restrictive measures, with the exception of an arms embargo, and in April 2013 it made the suspension permanent (while keeping the arms embargo in place). The US suspended sanctions on investment and financial services in May 2012, though other US sanctions remain in place, notably a ban on business dealings with certain individuals and companies on the US Specially Designated Nationals List and reporting requirements for US companies with more than US$500,000 investment in the country. Canada has now lifted most of its sanctions. Australia is also moving towards normalizing trade relations. Further easing of sanctions clearly hinges on Myanmar's cautioned political reform.

Box 1.2: Myanmar's reforms thus far

A new chapter in Myanmar's story began in November 2010. Since then, many developments have taken place on political, governance and economic fronts:

Politics and Governance

- A parliament was elected for the first time in half a century with former military commander Thein Sein selected as civilian president
- Nobel Peace Prize winner Anug San Suu Kyi was released from house arrest along with many other poltical prisoners. Political opponents were allowed back into the country. The National League for Democracy (NLD), the main opposition party, boycotted the 2010 elections. President Thein Sein initiated a dialogue with the NLD, culminating in the NLD's participation and victory in April 2012 by-elections
- New laws have ended censorship and overturned bans on political gatherings
- Transparency has increased, improving governance. The 2012 budget was debated for the first time in parliament and published in private newspapers
- Public opinion has had some influence on government policy, leading to increases in health and education budgets and the cancellation of some controversial infrastructure projects
- The government has made efforts to foster reconciliation with ethnic and religious minorities. Cease fires have been renewed or put in place with some armed groups, including the SSA-South, UWSA, KNU, KNPP and NMSP. However, the cease fires remain fragile, and renewed conflict has broken out with another group, the KIO. Serious sectarian and ethnic turmoil persists

Economic

- The kyat, the official currency was floated in April 2012
- The Central Bank of Myanmar was given a larger measure of independence
- Myanmar has introduced tax reform, including abolition of the profit tax and reduction of the sales tax to 5 percent for most items (down from 90 percent in some cases)
- Steps were taken to decentralize fiscal policy with the establishment of state and regional budgets
- There has been some acceptance of the repatriation of profits, although parliament has announced limits on foreign ownership in some sectors
- Special Economic Zones (SEZs) are being introduced

Vietnam

Vietnam had suffered from a prolonged war and economic stagnation. Since 1986, the country began rebuilding its economy with the policy of *doi moi* or renovation, involving greater freedom to private enterprise, emphasis on exports, production of consumer goods and encouragement to foreign investors. Substancial progress was achieved from 1986 to 1997, despite the ravages of war, loss of financial support from the old Soviet Bloc and changeover from a centrally planned economy. Real GDP growth averaged around 9 percent (as per IMF) from 1993 to 1997. After a slight dip during 1997 Asian financial crisis, growth averaged 7.5 percent in 2000-2007. GDP grew by a robust 8.4 percent in 2007, driven by strong domestic growth as well as higher investment following the country's accession to WTO in January 2007. However, the global recession had dampened the export oriented economy in 2008. In 2012, real GDP growth was seen growing at 5 percent, the slowest since 1999 **(Table 2.4)**. In absolute terms, GDP has increased to US$ 138.1 billion in 2012 from US$ 122.7 billion in 2011, and GDP per capita stood at US$ 1,527.5.

Table 2.4: Macroeconomic Snapshot of Vietnam

Item	2008	2009	2010	2011	2012	2013[f]	2014[f]
Real GDP (percent change)	6.3	5.3	6.8	5.9	5.0	5.2	5.2
GDP, current prices (US$ billion)	90.3	93.2	103.6	122.7	138.1	156.0	170.7
GDP per capita (US$)	1047.9	1068.3	1173.6	1374.0	1527.5	1704.9	1843.9
Inflation, average (percent change)	23.1	6.7	9.2	18.7	9.1	8.8	8.0
Population (million)	86.2	87.2	88.3	89.3	90.4	91.5	92.6
Current account balance (percent of GDP)	-11.9	-6.6	-4.1	0.2	7.4	7.9	6.3
External debt (percent of GDP)	29.3	35.5	47.6	46.8	46.1	43.3	43.9
Reserves (US$ million)	24176.0	16803.0	12926.0	14046.0	26113.0	32163.0	37972.0
Exchange rate (D:US$)	16440	17800	19131	20,649	20,859	21,303	21,947

f: Forecast
Source: IMF, EIU

Industry is the largest sector in Vietnam's economy, accounting for 40 percent of Vietnam's GDP in 2012. The shares of services and agriculture in GDP during the same year were 39 percent and 21 percent respectively. Vietnam has substantial energy and mineral resources. Its energy resources are a major source of export earnings and support domestic industries. Some of its major resources include phosphates, coal, manganese, rare earth elements, bauxite, chromate, offshore oil and gas deposits, timber, and hydropower.

Inflation has been observed to be high in Vietnam in recent years, owing to easy availability of domestic credit. In 2012, inflation eased to 9.1 percent as compared to a high of 18.7 percent seen in 2011. Sectors where prices are administratively controlled –health and medical services, energy, education and transport, have experienced higher and more volatile inflation than those sectors where prices are determined mostly by market forces. Vietnam has the highest inflation among its other regional peers.

Vietnam follows a crawling-peg system, under which the dong is pegged against the US dollar and then allowed to crawl along either up or down as reflection of central bank's judgment of market developments. The crawl is further limited by a +/- 1 percent band on either side of the pegged rate. Foreign-exchange reserves have risen at a strong pace, improving the ability of the central bank to counteract further downward pressure by intervening in the currency market if necessary.

Vietnam has remained an attractive investment destination in light of its growing working-age population and low labor cost. Nevertheless, the country faces increased competition for FDI in Southeast Asia, particularly from Indonesia. Vietnam's ability to remain competitive and drive economic growth back up to 7-8 percent is likely to depend in large part on the timely and decisive implementation of structural reforms to the banking sectors and the improvement of other aspects of the business environment.

3. FOREIGN INVESTMENT IN CLMV COUNTRIES

According to data released by the United Nations Conference on Trade and Development's (UNCTAD) World Investment Report 2013, FDI inflows in the low-income CLMV countries amounted to US$ 12.5 billion in 2012, a 15 percent increase, from levels seen in 2011**(Table 3.1)**, reflecting investors' increasing focus in the CLMV region. The higher inflows in 2012 have been partly because of improved FDI flows in Cambodia, Myanmar and Vietnam. In 2012, the CLMV region accounted for 11.2 percent of total FDI inflows to the ASEAN region, up from 9.9 percent seen in 2011. This chapter analyses the trends in FDI flows in the CLMV countries, along with investment policies and business environment prevailing in these countries.

FDI INFLOWS IN CLMV COUNTRIES

Among the CLMV countries, FDI inflows into Vietnam were the highest at US$ 8.4 billion in 2012, followed by Myanmar with US$ 2.2 billion worth of inflows and Cambodia with US$ 1.6 billion. During the last five years, FDI inflows in Myanmar have increased at an annual average of 29.5 percent (2008-2012) and in Cambodia by 24.8 percent. These countries have received an increasing amount of FDI driven by the desire of investors to reduce costs for labor-intensive manufacturing, to harvest mineral resources and to participate in infrastructure projects.

The low income CLMV countries have emerged as bright spots of the ASEAN region, particularly for labour-intensive FDI and value chain activities. These low-income countries also experienced a rise in investments in the extractive sector and infrastructure, including those under contractual arrangements. A number of large Trans-National Companies (TNCs), including Nike (USA) and Adidas (Germany), have strengthened their contract manufacturing activities in the low-cost production locations in the CLMV region. For instance, the share of Vietnam in the footwear production of Nike rose from 25 percent in 2005 to 41 per cent in 2012. In addition, attracted by low labour cost and good growth prospects, Japanese companies have pledged to invest US$ 1.8 billion in Vietnam. Some of the other sectors that have seen significant FDI inflows in recent years in Vietnam include banks, property and infrastructure. However there has been a shift, with a rise in FDI into manufacturing, retail and technology, among others. In Lao PDR, Chinese investments in infrastructure has been increasing.

Over the past few years, foreign participation in extractive industries (including both oil and gas, and metal mining) has also helped boost FDI in this region. In Myanmar, new investments in extractive industries have seen increased inflows, specially after the lifting of sanctions. In the oil and gas industry, companies from India, South Korea, Thailand and Singapore have entered into oil and gas exploration activities, and are ready to expand their operations. For instance, Total (France) and Chevron (USA) have long held stakes in oil and gas projects, but only after the recent easing of sanctions are the two companies expanding their operations in Myanmar. In metal mining, among others, a joint venture between a local company and Ivanhoe Mines (Canada) started operating a large copper mine

Table 3.1: FDI Inflows in CLMV Countries, US$ million

Country	**2008**	**2009**	**2010**	**2011**	**2012**
Brunei	330	371	626	1208	850
Indonesia	9318	4877	13771	19241	19853
Malaysia	7172	1453	9060	12198	10074
Philippines	544	1963	1298	1816	2797
Singapore	12200	24939	53623	55923	56651
Thailand	8455	4854	9147	7779	8607
ASEAN	**49504**	**47759**	**97872**	**108998**	**111294**
Cambodia	815	539	783	902	1557
Lao PDR	228	190	279	301	294
Myanmar	863	973	1285	2200	2243
Vietnam	9579	7600	8000	7430	8368
CLMV	**11485**	**9302**	**10347**	**10833**	**12462**
CLMV/ASEAN (%)	**23.2**	**19.5**	**10.6**	**9.9**	**11.2**

Source: World Investment Report, 2013, UNCTAD and Exim Bank India Analysis in 2004, and later a Chinese investor has become involved instead of the Canadian company. Following the introduction of a new mining law in 2013, investors from China, India, Philippines, Russia, Vietnam and USA have expressed interest in mining, expanding the number of possible contributors of FDI inflows to extractive industries in Myanmar. A number of companies from Europe and USA have also recently established or are establishing operations in Myanmar. For instance, Hilton is opening a hotel in Yangon under a management contract.

FDI OUTFLOWS FROM CLMV COUNTRIES

Outward FDI from the CLMV region were higher by 23.6 percent in 2012, against the backdrop of a sharp decline in worldwide FDI outflows **(Table 3.2)**. This marks the fourth consecutive year of increasing flows from the region. Outflows from the region however remain small in magnitude, and accounted for 2 percent of total outflows from the ASEAN region. **Table 3.3** highlights the distribution of flows in the CLMV countries.

Table 3.2: FDI Outflows from CLMV Countries, US$ million

Country	2008	2009	2010	2011	2012
Brunei	16	9	6	10	8
Indonesia	5900	2249	2664	7713	5423
Malaysia	14965	7784	13399	15249	17115
Philippines	259	359	616	539	1845
Singapore	6812	24051	25341	26249	23080
Thailand	4057	4172	4467	8217	11911
ASEAN	**32404**	**39344**	**47413**	**58956**	**60592**
Cambodia	20	19	21	29	31
Lao PDR	75	1	-1	0	-21
Myanmar	-	-	-	-	-
Vietnam	300	700	900	950	1200
CLMV	**395**	**720**	**920**	**979**	**1210**
CLMV/ASEAN (%)	**1.2**	**1.8**	**1.9**	**1.7**	**2.0**

Note: Negative values of FDI net outflows show that the value of direct investment made by domestic investors to external economies was less than the value of repatriated (disinvested) direct investment from external economies
- nil
Source: World Investment Report, 2013 , UNCTAD and Exim Bank India Analysis

Table 3.3: Distribution of FDI flows among ASEAN countries by range

Range	Inflows	Outflows
Above US$ 150 billion	Singapore	-
US$ 10- US$ 49 billion	Indonesia, Malaysia	Singapore, Malaysia, Thailand
US$ 1- US$ 9.9 billion	Thailand, Vietnam, Philippines, **Myanmar, Cambosia**	Indonesia, Philippines, **Vietnam**
US$ 0.1-US$ 0.9 billion	Brunei, **Lao PDR**	-
Below US$ 0.1 billion	-	**Cambodia,** Brunei, **Lao PDR**

Source: World Investment Report, 2013

FOREIGN INVESTMENT IN CLMV COUNTRIES

Cambodia

FDI inflows[1] to Cambodia increased by 3.1 percent in 2012 to US$ 1.6 billion, as compared to US$ 902 million in 2011. According to National Bank of Cambodia, the increase in FDI comprised a 55 percent increase in direct investment in the banking sector and a 33 percent increase in other industries, especially in garments and textiles, agri-industry, and telecommunication. According to Dun and Bradstreet, in 2012, building project approvals nearly doubled to US$ 2.1 billion. FDI approvals for new garment factories alone came to US$ 500 million. The signing of multi-year Chinese investment deals worth US$ 13.5 billion January 2013 to develop a railway line, a steel plant, an oil refinery and a port augment the already planned billions of dollars' worth of Chinese-invested infrastructure projects. Foreign investors are particularly attracted to the country's low cost labour, preferential market access in terms of duty and quota free access to the US and EU markets, locational proximity to ASEAN markets, as well as closeness to source countries of FDI in garments, such as Hong Kong, Indonesia, Malaysia, Singapore and Taiwan Province of China.

FDI outflows from Cambodia increased to US$ 31 million from US$ 29 million during the same period.

a) Focus Sectors for Investment

Cambodia's open economy, plentiful natural resources and low-cost workforce offer many opportunities

[1]FDI data sourced from UNCTAD's World Investment Report, 2013, unless otherwise stated

to investors. Areas of opportunity for investment in the country include

- Agro processing
- Infrastructure- rail, roads, bridges, power transmission, transport communication
- Tourism
- Energy Sector
- High technology Industries

b) Investment Policies[2]

In order to attract FDI, the government of Cambodia has strengthened the country's legal framework, bolstered its institutions and liberalized the relevant regulations in ways that are conducive to private sector investment and business activities in Cambodia. The government provides investors with a guarantee neither to nationalize foreign-owned assets, nor to establish price controls on goods produced and services rendered by investors, and to grant them the right to freely repatriate capital, interest and other financial obligations. Generally, there are no restrictions on the setting up of businesses. However, many businesses require a license or permit to operate, including areas such as banking and finance institutions, tour agencies, real estate agencies, telecommunication, industrial factories, etc. Investors can set up 100 percent foreign-owned investment projects and employ skilled workers from overseas, in cases where these workers cannot be found in the domestic labour force. Attention is also accorded to private investment in Build-Operate-Transfer (BOT) projects, and private investment in infrastructure, including public utilities such as electricity, water supply and telecommunications.

In order to facilitate investors in their applications for investment approval, the government has established an institution to oversee investment policy and strategy called the Council for the Development of Cambodia (CDC). The Cambodian Investment Board (CIB), the operational arm of the CDC, has been designated as the major and one-stop service of the government, responsible for the evaluation of investment proposals and projects from all investors, both individual and corporate.

Foreigners are not authorized to acquire ownership rights in buildings located within 30 kilometers of the land borders of Cambodia, except in Special Economic Zones or other areas, as determined by the government.

[2]http://www.embassyofcambodia.org.nz/investment.htm

Sectors in which investment is encouraged

- High technology industries
- Export oriented industries
- Tourism
- Agro and processing industry
- Infrastructure and energy
- Investment in Special Promotion Zone (SPZ)

Commonly used business entities

A new entity is registered with the Cambodian Ministry of Commerce (MoC). Approval for registration usually takes approximately ten and a half working days upon submission of all required documents. In general, businesses operate in Cambodia via the following vehicles:

- ✓ a company incorporated in Cambodia
- ✓ a branch of a company incorporated outside Cambodia
- ✓ a representative office of a company incorporated outside Cambodia

Main legal formalities for the formation of a company or registration of a branch

Company

- The minimum registered capital is CDR 4,000,000 (approximately US$ 1,000). Generally, there is no restriction on foreign ownership (except for land holding). The name of the company must first be cleared with the MoC.
- A standard memorandum and articles of association will have to be prepared for the company and lodged with the MoC, together with the prescribed information for incorporation.

Branch

- Certain documents and information of the holding company and the Cambodian branch are required to be provided to the MoC for branch registration. The name of the Branch shall be the name of its principal.

Representative Office (RO)

- A RO is prohibited from undertaking profit making activities including the buying or selling of goods, performing services or engagement in manufacturing, processing or construction. The name of the RO shall be the name of its principal.

Requirements for foreign investors

- For a Cambodian company, the full name, address, nationality of the foreign investor and the number of shares held in the company are required by the MoC.

- For a Cambodian branch, the place of registration of the foreign company, details of its structure and other information in the prescribed documents is required by the MoC.
- For a RO, the requirements are the same as a Branch.
- If the Cambodian company or Cambodian branch needs to apply for a particular license to carry out its business operation, additional information on the foreign investor may have to be provided to the relevant government authority.

Taxation

Most foreign investments and foreign investors are affected by the following taxes:

- Tax on Profit
- Minimum Tax
- Various withholding taxes (e.g. Tax on profit withholding obligations)
- Value Added Tax
- Turnover Tax
- Import Duties
- Salary Tax on Cambodian and expatriate employees

A preferential rate of 9 percent is available from the CDC where certain criteria are met and the proposed activity is being specifically encouraged by the government. Preferential rates are granted for the life of the relevant investment. A preferential rate can be granted, following approval and issuance of the relevant license by the CDC. Investment sectors in which special incentives do not apply include the telecommunication sector, and the exploitation of natural resources, with the exception of oil and natural gas exploration. All fuels, lubricants and other petroleum-based products used as raw materials or intermediate goods are not eligible for exemptions from import duties. Oil and gas, together with certain other mineral exploitation activities, are subject to tax at a rate of 30 percent. Insurance activities are taxable at a rate of 5 percent of gross premium income.

Incentives consist of the following:

- ✓ A corporate tax rate of 9 percent except for the exploration and exploitation of natural resources, timber, oil, mines, gold, and precious stones which shall be set in separate laws.
- ✓ A corporate tax exemption of up to 8 years depending on the characteristics of the project and the priority of the government which shall be mentioned in a Sub-

Decree. Corporate tax exemption shall take effect beginning from the year the project derives its first profit. A 5-year loss-carried forward shall be allowed. In the event the profits are being reinvested in the country, such profits shall be exempted from all corporate tax.

- ✓ Non-taxation on the distribution of dividends or profits of proceeds of investments, whether they will be transferred abroad or distributed in the country.
- ✓ 100 percent import duties exemption on construction materials, means of production, equipments, intermediate goods, raw materials and spare parts used by:

(a) An export-oriented project with a minimum of 80 percent of the production set apart for export,

(b) Located in a designated SPZ listed in a development priority list issued by the Council

(c) Tourism industry

(d) Labor-intensive industry, transformation industry, agro-industry

(e) Physical Infrastructure and energy industry

These 100 percent exemption of duties and taxes mentioned above shall be in effect according to the terms of the agreement or requirement book of the investment projects which will produce goods for export in minimum of 80 percent of total production and for the investment projects which will be located in Special Promotion Zone (SPZ). Besides the investment projects mentioned, 100 percent exemption of duties and taxes shall only be authorized for an arrangement of construction period of enterprises, factories, building and the first year of operation of business production.

c) Business Environment

In Doing Business 2013[3] conducted by the World Bank and International Finance Corporation (IFC)[4], Cambodia ranked 133th in ease of doing business.

---

[3]In Doing Business 2013, 185 economies across the world are ranked on their ease of doing business, from 1 – 185. A high ranking on the ease of doing business index means the regulatory environment is more conducive to the starting and operation of a local firm. The topics covered include starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency

Cambodia ranked low in terms of starting a business (175 of 185), resolving insolvency (152), dealing with construction permits (149), enforcing contracts (142) and getting electricity (132). Despite its difficult business environment, Cambodia's performance in terms of paying taxes is above OECD's average. According to the World Bank, it takes an average of 173 hours per year to pay taxes compared to an OECD average of 176 hours.

According to World Economic Forum's Global Competitiveness Index Ranking 2012-13[4], Cambodia was ranked 85 out of 142 countries. Cambodia was ranked poorly in terms of auditing and reporting standards (118), the reliability of its police service (105) and irregular payments and bribes (107).

Lao PDR

FDI inflows to Lao PDR moderated in 2012 to US$ 294 million, compared with US$ 301 million in 2011. During the same year, FDI outflows from Lao PDR were negligible. According to the same source, China has decided to invest US$7 billion in domestic railways in Lao PDR; a 410-km high-speed railway linking Kunming and Vientiane may be operational by 2018.

According to Ministry of Planning and Investment data on cumulative FDI inflows 1989-2012, Vietnam was the key investor with US$ 4.9 billion worth of investments, followed by Thailand (US$ 4.1 billion) and China (US$ 3.9 billion). About 80 percent of total FDI in Lao PDR goes into the resource sector, particularly hydropower, and mining. Economic transition of Lao PDR to a market-driven economy has attracted international investors' attention.

a) Focus Sectors for Investment[5]

- Agro processing
- Mining
- Education
- Food processing sectors
- Wood and timber industry
- Pharmaceuticals and healthcare
- Infrastructure
- Small and Medium Enterprises (SMEs)
- Light engineering
- Tourism
- Information Technology (IT)

[4]World Economic Forum's Global Competitiveness Index Ranking 2012-13 measures the ability of a country to provide high levels of prosperity to its citizens based on the set of institutions, policies, and factors that set the sustainable current and medium-term levels of economic prosperity.

[5]Ministry of Planning and Investment, Investment Promotion Department, Lao PDR

b) Investment Policies

The Lao PDR has followed a market-oriented economy; it has opened its economy to foreign investors since 1986 when it launched its New Economic Mechanism policy by giving foreign investment generous incentives, constructing the basis of a legal framework from scratch and allowing private ownership.

According to Ministry of Planning and Investment, foreign investors seeking to establish operations in Lao PDR are required to obtain a foreign investment license, an enterprise registration certificate, and a tax registration certificate.

Forms of Foreign Investment

There are no statutory limits on foreign ownership or control of commercial enterprises, but in practice, many companies seek a local partner. The Foreign Investment Law permits three forms of foreign investment: Business cooperation by contract, joint ventures (JV) between foreign and domestic investors; and 100 percent foreign-owned enterprises.

Foreign investors are given rights to use and transfer real estate in the Lao PDR and are also granted the right to repatriate earnings and capital, without restriction, through a bank established in Lao PDR. Foreign investors must open a Kip bank account in the Lao PDR; if they want to use foreign currencies, they will need additional accounts. Investors may convert Kip to other currencies within Lao PDR.

Foreign investments involving exploitation of natural resources and energy generation must be joint ventures. This restriction may be extended by government decree. Foreign investors must contribute at least 30 percent of the total capital investment.

Under 100 percent foreign ownership, the enterprise established in the Lao PDR may be a new company; alternatively it may be a representative office of a foreign company. Banks have an option of establishing branch offices; they are restricted to Vientiane. Foreign investments must have a minimum registration capital of US$ 0.5 million.

Under the 2005 Prime Ministerial Decree No 301, projects worth US$ 20 million or more require the approval of the Prime Minister. The Minister of Planning and Investment can approve projects below US$ 20 million while the Vice Minister of Planning and Investment can approve enterprises of less than US$ 10 million. FDI equal to or less than US$ 3 million can be approved at the provincial level by all provinces, and in four of the larger provinces - Vientiane Capital, Savannakhet, Champasack, and Luang Prabang - the ceiling for approval is US$ 5 million.

Lao PDR's law requires foreign investors to ensure that their investments, factories and activities protect the natural environment and the health and the safety of their workers and the public at large. To date, there has been little guidance on or enforcement of this law.

Foreign enterprises must begin business activities within 90 days from the date of receipt of an investment license, or the license is subject to termination.

Forms of Private Enterprise

The Business Law of 1994 defines the forms of business (sole trader, partnership, limited company, etc.) and sets minimum capital requirements. Minimum capital requirements are set at 1, 5 and 50 million Kip for sole traders, limited companies and public companies respectively; foreign-owned companies are required to have a minimum capital of US$ 0.5 million. Partnerships are not subject to such requirements as the partners assume unlimited liability.

Priority Areas

The key areas of investment encouraged by The Lao PDR Government are hydroelectric power, mining, manufacturing, infrastructure, tourism and telecommunications.

Lao PDR grants incentives for foreign investment depending on industry sectors and activities promoted by the government, and the level of infrastructure and socio-economic development in specific geographic zones. The government defines agriculture, industry, handicraft and services as promoted activities.

Protection of Property Rights

Foreign investors are not permitted to own land in fee-simple. However, Article 58 of the Law on Investment Promotion stipulates that foreign investors with registered investment capital of US$ 500,000 or above are entitled to purchase land use rights of less than 800 square meters in order to build housing or office buildings. The Government grants long-term leases, and allows the ownership of leases and the right to transfer and improve leasehold interests. Government approval is not required to transfer property interests, but the transfer must be registered and a registration fee paid.

Taxes

The Lao PDR government (GOL) is seeking to encourage more foreign investment and maintains lower business tax rates for foreign companies than those applicable to domestic companies.

Foreign investments subject to the Foreign Investment Law pay an annual profit tax at a rate of 10 percent , 15 percent, and 20 percent according to the promotion zone (other investments are taxed at 35 percent).

The Lao PDR Government specifies 3 promotion zones based on geographical location and socio-economic conditions. The zones are as follows:

- Zone 1: areas lacking in socio-economic infrastructure – primarily mountainous and remote areas – and is assigned a high level of investment promotion
- Zone 2: areas with socio-economic infrastructure that is partially able to facilitate investments and is given medium priority
- Zone 3: infrastructure available to support investments and is assigned a low level of investment promotion

In Zone 1, Level 1 investments receive profit tax exemptions for 10 years, Level 2 investments for 6 years and Level 3 investments for 4 years. In Zone 2, Level 1 investments receive profit tax exemptions for 6 years, Level 2 investments for 4 years and Level 3 investments for 2 years. In Zone 3, Level 1 investments receive profit tax exemptions for 4 years, Level 2 investments for two years and Level 3 investments for 1 year. Profit tax exemptions in all zones start from the date the enterprise commences operations.

Foreign investors are not required to pay import duty on equipment, spare parts and other materials used in the operation of their enterprises. Raw materials and intermediate goods imported for the purpose of processing and re-export are also exempt from import duties. Raw materials and intermediate goods imported for the purpose of import substitution are eligible for import duty reductions on a case-by-case basis. Foreign enterprises are also eligible for profit tax and import duty reductions or exemptions on an individual basis, if the investment is determined by the GOL to benefit to Lao PDR's socio-economic development.

In highly exceptional cases, and by specific decision of the Lao Government, foreign investors may be granted special privileges and benefits. These can include a reduction in or exemption from the 20 percent profit-tax rate. Such reductions and exemptions are normally given because of the large size of an investment and the significant positive impact that it is expected to have upon the socio-economic development of the Lao PDR.

The law places no limitations on foreign investors transferring after-tax profits, income from technology transfer, initial capital, interest, wages and salaries, or other remittances to the company's home country or third countries provided that they request approval from the Lao government.

c) Business Environment

In the Doing Business 2013, Lao PDR was ranked 163rd in ease of doing business out of 185 countries, a rise of 3 places from its previous ranking in 2012. The nation had very low ranking in resolving insolvency (185), protecting investors (184) and protecting investors (184), while it ranked much higher in getting credit (167), trading across borders (160), getting electricity (138), paying taxes (126) and enforcing contracts (114).

Myanmar

FDI inflows to Myanmar increased by 2 percent in 2012, to US$ 2.24 billion from US$ 2.20 billion in 2011. There were no FDI outflows from Myanmar during the same period.

Myanmar's Energy Ministry has granted seven national owned companies to do joint venture business with international oil companies in nine blocks out of 18 and two have been inked. International companies include those from Indonesia, Thailand, France, Malaysia, Russia, China and India. The Myanmar Investment Commission has permitted the exploration and development of hitherto restricted sectors like oil, gas and minerals. The country has passed a Special Economic Zone Law which provides incentives for foreign investors in banking and insurance. Developed countries like US, Netherlands, UK, and France are the major sources of FDI in Myanmar. Amidst Asian countries, Singapore remains the main source of FDI going to Myanmar.

a) Focus Sectors for Investment[6]

- Transport Infrastructure
- Telecommunication services
- Financial Services
- Hydrocarbons
- Healthcare
- Oil and gas exploration
- Agro-tech

[6] Foreign Investment Law, 2012

b) Investment Policies

The Government of the Union of Myanmar has been striving hard to promote all round development of national economy to improve provisions of food, clothing and shelter for the people so as to ameliorate their living standards. In this connection steps have been taken to ensure mass participation and induce foreign investment on the basis of equality and mutual benefit.

The Foreign Investment Law has no minimum capital requirement for foreign ownership, except for joint ventures in restricted sectors, although individual ownership requirements can be established by the Myanmar Investment Commission (MIC). Foreign investors may, depending on the type and value of investment, lease land for a period of up to 50 years and renewable for a further two 10-year periods

Foreign investments shall be made in accordance with the following basic principles-

a) promotion and expansion of exports
b) exploitation of natural resources which require heavy investment
c) acquisition of high technology
d) supporting and assisting production and services involving large capital
e) opening up of more employment opportunities
f) development of works which would save energy consumption
g) regional development

Form of Organization

Foreign investment may be made in any of the following forms-

(a) investment made by a foreigner to the extent of 100 per cent foreign capital
(b) joint-venture made between a foreigner and a citizen.

-a sole proprietorship, a partnership and a limited company may be formed;
-if a joint-venture is formed the foreign capital shall be at least 35 per cent of the total capital.

Exemptions and Reliefs

The Commission shall, for the purpose of promoting foreign investments within the State, grant the investor exemption or relief from taxes. In addition the Commission may grant any or more than one or all of the remaining exemptions or reliefs from taxes:

- In respect of any enterprise for the production of goods or services, exemption from income-tax for a period extending to 3 consecutive years, inclusive of the year of commencement of production of goods or services
- Exemption or relief from income-tax on profits of the business if they are maintained in a reserve fund and re-invested therein within 1 year after the reserve is made
- Right to accelerate depreciation in respect of machinery, equipment, building or other capital assets used in the business, at the rate fixed by the Commission
- If the goods produced by any enterprise are exported, relief from income-tax up to 50 percent on the profits accrued from the said export
- Right of an investor to pay income-tax payable to the State on behalf of foreigners who have come from abroad and are employed in the enterprise
- Right to pay income-tax on the income of the above-mentioned foreigners at the rates applicable to the citizens residing within the country
- Right to deduct from the assessable income, such expenses incurred in respect of research and development relating to the enterprise which are actually required and are carried out within the State
- Right to carry forward and set-off up to 3 consecutive years from the year the loss is sustained in respect of such loss sustained within 2 years immediately following the enjoyment of exemption or relief from income tax as contained in sub-section (a), for each individual enterprise
- Exemption or relief from customs duty or other internal taxes or both on machinery, equipment, instruments, machinery components, spare parts and materials used in the business, which are imported as they are actually required for use during the period of construction
- Exemption or relief from customs duty or other internal taxes or both on such raw materials imported for the first 3 years' commercial production following the completion of construction

Guarantees

- The Government guarantees that an economic enterprise formed under a permit shall not be nationalized during the term of the contract or during an extended term, if so extended.

- On the expiry of the term of the contract, the Government guarantees an investor of foreign capital, the rights he is entitled to, in the foreign currency in which such investment was made.
- Foreign investors have the right of remittance of foreign currency. Foreign investors are allowed to remit foreign currency overseas through banks which are authorized to conduct foreign banking business at the prevailing exchange rate.

Taxes

Any enterprise operating under the Foreign Investment Law (FIL) or the Myanmar Companies Act must pay income tax at a 25 percent tax rate.

c) Business Environment

Myanmar does not figure in the World Bank's Ease of Doing Business Ranking 2013 and World Economic Forum's Global Competitiveness Index Ranking 2012-13.

The suspension of most Western sanctions in 2012 and their eventual lifting is expected to result in pick up in GDP growth driven primarily by investment spending. Multilateral agencies such as the World Bank, the Asian Development Bank and the IMF have re-established a presence in the country and would provide badly needed policy advice and technical assistance, as well as substantial loans and aid. The new foreign investment law, passed in 2012, is expected to foster a more investor-friendly climate, and in 2013-17 many further changes - including new legislation on mining, banking and telecommunications - are expected to be enacted.

VIETNAM

FDI inflows to Vietnam increased by 12.6 percent to US$ 8.4 billion, as compared to US$ 7.4 billion in 2011. The country is an attractive destination for low cost labour intensive manufacturing and several large TNCs have strengthened their contract manufacturing activities. For instance, the share of Vietnam in footwear production of Nike rose from 25 percent in 2005 to 41 percent in 2012. Increased levels of Chinese investments have been observes in recent years in Vietnam. FDI outflows from Vietnam also increased to US$ 1.2 billion from US$ 950 million during the same period. Lao PDR and Cambodia are the primary destination of FDI outflows from Vietnam.

a) **Focus Sectors for Investment**

- High-tech production: high technology and modern equipment, bio-tech products, telecom, electronics, clean & green industries;
- Infrastructure
- Education & training, vocational training
- Health care: hospitals, pharmaceutical productions
- Environment: industrial water treatment, waste and rubbish treatment, other environment measures Supporting/ Auxiliary industry: materials, supplies and spare parts for textile & garment, footwear, auto
- Manufacturing industry: to produce competitive products for export and domestic consumption

b) **Investment Policies**[7]

Vietnam has emerged as one of the most attractive destinations for foreign investment. Foreign investors are beginning to regard Vietnam as a key strategic investment location to achieve cost effectiveness of their global supply chains. Vietnam is becoming more attractive with its tax incentives, low cost labour and long coastline with increasingly modern and sophisticated port infrastructure. The government has made considerable efforts in recent years towards improving the country's business and investment climate by issuing positive legislative measures. These measures, along with Vietnam's accession to the WTO, have significantly paved way for foreign investment in the country.

Forms of Investment

Foreign investors may invest in Vietnam in any of the following forms:

- Business co-operation on the basis of a business co-operation contract
- Joint venture enterprise
- Enterprise with 100 percent foreign owned capital

The forms of commercial presence that foreign investors can set up in Vietnam are as follows:

- Representative Office
- Branch
- Wholly Owned Subsidiary
- Joint Venture with Vietnamese partner

There are strict foreign ownership limitations for certain listed companies

[7] http://www.vietnamembassy.org.uk/foreignlaw.html

and service sectors. For example, foreign ownership cannot exceed 49 percent for listed companies and 30 percent for listed companies in the financial sector. A foreign bank is allowed to apply to establish a 100 percent foreign owned affiliate in Vietnam but may only own up to 20 percent of a local commercial bank. Individual foreign investors are usually limited to 15 percent ownership, though a single foreign investor may increase ownership to 20 percent through a strategic alliance with a local partner and with approval from the Prime Minister's Office.

Encouraged Investment Sectors

The Government of Vietnam (GVN) promotes foreign investment in certain priority sectors or geographical regions, such as mountainous and remote areas of the country with difficult economic and social conditions. The GVN encourages investment in production of new materials, new energy sources, metallurgy and chemical industries, manufacturing of high-tech products, bio-technology, information technology, mechanical engineering, agricultural, fishery and forestry production, salt production, generation of new plant varieties and animal species, ecology and environmental protection, research and development, knowledge-based services, processing and manufacturing, labor-intensive projects (using 5,000 or more full-time laborers), infrastructure projects, education, training, and health and sports development. A September 2011 Prime Ministerial Directive further defined the GVN's foreign investment priorities, encouraging projects that use modern and environmentally-friendly technology, and promote efficient use of natural, mineral, and land resources.

Foreign investors are encouraged to invest in specific areas:

- Areas with difficult socio-economic conditions
- High tech zones and economic zones

Foreign participation in distribution services, including commission agents, wholesale and retail services, and franchising, opened to fully foreign-owned businesses in 2009. Distribution of alcohol, cement and concrete, fertilizers, iron and steel, paper, tires, and audiovisual equipment opened to foreign investors in 2010. The sectors where certain conditions are applicable to foreign investors include telecommunications, postal networks, ports and airports, and other sectors as per Vietnam's commitments under international and bilateral arrangements.

Investment Incentives

- Corporate Income tax (CIT) exemption and CIT reduction from the first profit making year
- Preferential CIT rate of 10-20 percent
- Import duty exemption on imports of equipment, materials, means of transportation and other goods for implementation of investment projects in Vietnam in accordance with the law on Export and Import Duties
- Land rental exemption or reduction
- Accelerated depreciation of fixed assets
- Losses carry forward

Foreign investors are exempt from import duties on goods imported for their own use and which cannot be procured locally, including all equipment, machinery, vehicles, components and spare parts for machinery and equipment, raw materials, inputs for manufacturing and construction materials that cannot be produced domestically. Remote and mountainous provinces are allowed to provide additional tax breaks and other incentives to prospective investors.

Licensing process

Foreign investors who invest in Vietnam for the first time must apply for an investment certificate with licensing authorities. The investment certificate of a foreign investment project can be granted by either of the following processes:

- Registration of an investment certificate application
- Appraisal of an investment certificate application

Generally registration process applies to projects with investment capital less than VND 300 billion (approx. US$ 16 million) and does not belong to the list of business sectors in which investment is prohibited.

Taxes

CIT applies to all foreign enterprises having income from Vietnam, regardless of a permanent establishment. Preferential tax treatment such as tax exemption, tax reduction and preferential rates are limited to:

- Encouraged sectors such as healthcare, education, high-tech, infrastructure development and software
- Encouraged special economic zones, or areas with difficult socio-economic conditions

Vietnam does not tax profits remitted by foreign-invested companies. However, companies are required to fulfill their local tax and financial obligations before remitting profits overseas and are not permitted to accumulate losses.

c) Business Environment

- The Doing Business 2013 conducted by the World Bank ranked Vietnam 99^{th} in ease of doing business. Vietnam ranked poorly in terms of protecting investors (169), getting electricity (155), resolving insolvency (149), paying taxes (138) and starting a business (108).

- According to World Economic Forum's Global Competitiveness Index Ranking 2012-13, Vietnam was ranked 75 out of 144 countries. Vietnam poorly in terms of auditing and reporting standards (132), burdensome government regulation (112) and irregular payments and bribes (118).

4. INTERNATIONAL TRADE OF CLMV COUNTRIES

This chapter examines the various aspects of foreign trade of the CLMV region including their bilateral agreements, as well as their position in intra-ASEAN trade.

INTERNATIONAL TRADE OF CLMV COUNTRIES

The importance of international trade as a growth facilitator has been recognized by CLMV countries, which is evident from their growth performance in recent years. Rise in both exports from and imports to the region have underlined the increase in total trade of the region.

Total trade of the CLMV region grew at an annual average of 21.2 percent from US$ 56 billion in 2003 to US$ 300.7 billion in 2012[8], underlined by steady exports and imports **(Table 4.1)**. Total exports of the region rose from US$ 25.4 billion in 2003 to US$ 144.6 billion in 2012, a rise of more than five-fold. Similarly, imports also rose from US$ 30.6 billion in 2003 to US$ 156 billion in 2012. Though total trade of the region moderated during 2009, owing to global slow down emanating from the US housing crisis, it recovered in 2010 and has been growing steadily thereafter. The CLMV countries maintained a trade

Table 4.1: International Trade of CLMV Countries, US$ billion

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Exports	25.4	32.9	39.8	49.1	58.2	74.8	68.9	86.3	114.8	144.6
Imports	30.6	38.1	43.7	52.9	72.9	94.0	82.8	101.5	129.5	156.0
Total Trade	56.0	71.0	83.4	101.9	131.1	168.8	151.7	187.8	244.4	300.7
Trade Balance	-5.2	-5.2	-3.9	-3.8	-14.7	-19.1	-13.9	-15.1	-14.7	-11.4

Source: Trade Map, ITC

[8] Data on trade has been sourced from Trade Map, ITC, unless otherwise mentioned

deficit throughout the last decade. This primarily stems from increased imports of capital goods by the region, owing to infrastructural development.

The share of the CLMV region in total ASEAN trade has increased from 6.4 percent in 2003 to 8.8 percent in 2008 and to further 12 percent in 2012. Similarly, the region accounted for 11.4 percent of total ASEAN exports and 12.6 percent of total imports of the ASEAN region in 2012 **(Table 4.2).** The regions contribution to global trade is very small compared to many other similar associations, given the abundant human and natural resources of the region. Therefore, there is a need for a focused approach on enhancing foreign trade of the region.

There also exist wide disparities in trade among member countries. For example, in 2012, Vietnam alone accounted for 9.9 percent of total ASEAN trade, while the combined share of Cambodia, Lao PDR and Myanmar was 2.1 percent.

Among the CLMV countries, Vietnam and Cambodia are highly dependent

Table 4.2: International Trade of CLMV Countries, 2012- Ranked by Value

	Value (US$ bn)			Share in ASEAN (%)		
	Exports	Imports	Total Trade	Exports	Imports	Total Trade
Singapore	408.4	379.7	788.1	32.3	30.6	31.4
Thailand	229.5	247.6	477.1	18.2	19.9	19.0
Malaysia	227.3	196.4	423.7	18.0	15.8	16.9
Indonesia	190.0	191.7	381.7	15.0	15.4	15.2
Vietnam	**123.5**	**124.1**	**247.6**	**9.8**	**10.0**	**9.9**
Philippines	52.0	65.4	117.4	4.1	5.3	4.7
Myanmar	**9.7**	**15.5**	**25.2**	**0.8**	**1.2**	**1.0**
Cambodia	**8.7**	**11.1**	**19.8**	**0.7**	**0.9**	**0.8**
Brunei	12.7	5.9	18.5	1.0	0.5	0.7
Lao	**2.8**	**5.4**	**8.1**	**0.2**	**0.4**	**0.3**
ASEAN	**1264.5**	**1242.8**	**2507.3**	**100.0**	**100.0**	**100.0**
CLMV	**144.6**	**156.0**	**300.7**	**11.4**	**12.6**	**12.0**

Source: Trade Map, ITC and Exim Bank India Analysis

Table 4.3: Trade Openness of CLMV Countries

Country	1990	1997	2000	2011
Brunei	-	115.4	95.6	82.1
Cambodia	**-**	**62.4**	**111.5**	**120.5**
Indonesia	-	-	-	49.5
Lao PDR	**36.3**	**67.7**	**65.1**	**62.9**
Malaysia	135.5	171.5	211.8	167.4
Myanmar	**17.6**	**44.7**	**62.8**	**32.2**
Philippines	51.7	-	110.2	55.1
Singapore	341.0	328.6	371.8	395.4
Thailand	73.7	96.6	121.6	139.3
Vietnam	**58.9**	**94.2**	**110.6**	**173.8**

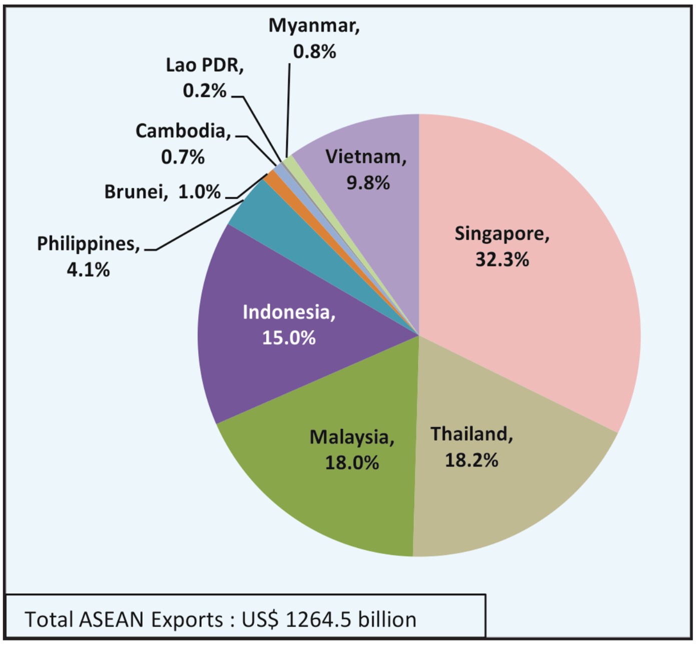
\- Denotes not available
Source: UNCTAD

on external sector with high levels of trade of trade openness ratio (Trade-GDP ratio), while Myanmar is the least open country in the CLMV region **(Table 4.3)**.

Among the CLMV countries, Vietnam remained the major exporter in the ASEAN region followed by Myanmar and Cambodia **(Chart 4.1)**. The share of Vietnam in total ASEAN exports rose from 4.3 percent in 2003 to 9.8 percent in 2012. On the other hand, the share of Lao PDR in total ASEAN exports has increased marginally from 0.1 percent in 2003 to 0.2 percent in 2012.

As regards imports, Vietnam is also the leading importer among the CLMV countries in the ASEAN region, with a share of 10 percent of total ASEAN imports in 2012, followed by Myanmar, Cambodia and Lao PDR **(Chart 4.2)**. The share of Vietnam in total ASEAN imports has inched higher from 7.4 percent in 2003 to 10.7 percent in 2007 and moderated to 10 percent in 2012. The share of Cambodia was also seen to increase from 0.5 percent in 2003 to 0.9 percent in 2012, while that of Lao PDR rose from 0.2 percent in 2003 to 0.4 percent in 2012.

Chart 4.1: Share of CLMV Countries in ASEAN Exports in 2012



Source: Trade Map, ITC and Exim Bank India Analysis

CLMV COUNTRIES IN INTRA-ASEAN TRADE

Table 4.4 shows the position of CLMV countries in Intra-ASEAN trade

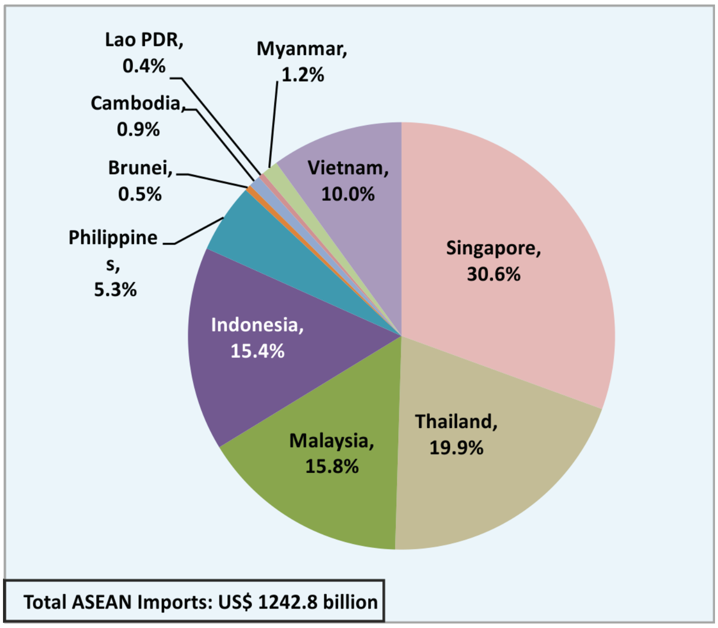
As trade in intermediate inputs have become more important to business operations, regional economic integration has a crucial role to play in fortifying a nexus that vertically and horizontally links firms in CLMV countries vis-a-vis production and procurement networks.

The section below analyses country wise coverage of international trade of the CLMV region.

Cambodia

Cambodia has a relatively open trading regime and acceded to the WTO in 2004. Total trade of Cambodia grew more than five-fold from US$ 3.9 billion in 2003 to US$ 19.8 billion in 2012 **(Chart 4.3)**. Cambodia's exports increased by a compound annual growth rate (CAGR) of 17.0 percent to US$ 8.7 billion in 2012, from US$ 2.1 billion in 2003, primarily on the back of increase in garment exports. Articles of apparel constituted 71 percent of total exports of Cambodia in 2012. Other items of exports during the same year were footwear and gaiters (9.1 percent),

Chart 4.2: Share of CLMV Countries in ASEAN Imports in 2012



Source: Trade Map, ITC and Exim Bank India Analysis

pearls and precious stones (4.8 percent), vehicles other than railway (3.3 percent), cereals (1.7 percent) and rubber and articles (1.4 percent). In 2012, Cambodia's exports were mainly directed towards USA (32.2 percent of total exports), Germany (9.9 percent), UK (9.7 percent), Canada (6.9 percent), Singapore (6.5 percent) and Japan (4.6 percent).

Imports also increased by a CAGR of 22.9 percent to US$ 11.1 billion in 2012, from US$ 1.7 billion in 2003. Major imports of Cambodia included knitted or crocheted fabric (12.9 percent of total imports in 2012), mineral fuels, oils and distillation products (11.7 percent), machinery and instruments (8.5 percent), vehicles other than railway (7.6 percent) and electrical, electronic equipment (5.7 percent). Imports were primarily sourced from Thailand (34 percent of total imports), China (24.3 percent), Singapore (8.9 percent), Hong Kong (7.3 percent), Taiwan (5.9 percent) and South Korea (5.3 percent) in 2012.

The customs tariff system is based on a four-band system, with rates ranging from zero to 50 percent. Under its WTO agreement, Cambodia ensures that custom duties, tariff-rate, quotas and tariff exemptions comply with the provisions of the WTO.

Table 4.4: CLMV Countries in Intra-ASEAN Trade in 2012

Country	Exports			Imports			Total Trade		
	Exports to World (US$ bn)	Exports to ASEAN (US$ bn)	Share of ASEAN (%)	Imports from World (US$ bn)	Imports from ASEAN (US$ bn)	Share of ASEAN (%)	Trade with World (US$ bn)	Trade with ASEAN (US$ bn)	Share of ASEAN (%)
Cambodia	8.7	0.01	0.1	11.1	0.2	1.4	19.8	0.2	0.8
Lao PDR	2.8	0.1	5.0	5.4	0.03	0.5	8.1	0.2	2.1
Myanmar	9.7	1.4	14.4	15.5	0.54	3.5	25.2	1.9	7.7
Vietnam	123.5	2.1	1.7	124.1	3.9	3.1	247.6	6.0	2.4
CLMV	**144.6**	**3.7**	**2.5**	**156.0**	**4.6**	**3.0**	**300.7**	**8.3**	**2.7**
Brunei	12.7	0.9	7.3	5.9	0.03	0.5	18.5	1.0	5.2
Indonesia	190	41.8	22.0	191.7	53.8	28.1	381.7	95.6	25.0
Malaysia	227.3	60.9	26.8	196.4	54.9	28.0	423.7	115.8	27.3
Phillippines	52	9.8	18.8	65.4	14.9	22.8	117.4	24.7	21.0
Singapore	408.4	129.8	31.8	379.7	79.8	21.0	788.1	209.6	26.6
Thailand	229.5	56.7	24.7	247.6	42.6	17.2	477.1	99.3	20.8
ASEAN-6	**1119.9**	**299.9**	**26.8**	**1086.7**	**246.0**	**22.6**	**2206.5**	**546.0**	**24.7**
Total	**1264.5**	**307.2**	**24.3**	**1399.0**	**255.3**	**18.2**	**2507.3**	**562.5**	**22.4**

Source: Trade Map, ITC and Exim Bank India Analysis

Agricultural equipment and inputs, school materials and equipment, pharmaceutical products, construction materials, machinery, as well as other equipment and sporting goods are exempt from import duties; however, these products are still subject to VAT. Since 2003, over 85 percent of goods traded among ASEAN members, including Cambodia, have been subject to tariffs between zero and 5 percent.[9]

(i) Bilateral Agreements

In 2006, USA and Cambodia signed a bilateral Trade and Investment Framework Agreement (TIFA), creating a cooperative mechanism focused on deepening and expanding bilateral trade and supporting Cambodia's efforts to implement its WTO commitments and domestic reforms. In 2012, USA and Cambodia agreed to begin exploratory discussions

[9] Dun and Bradstreet Report on Cambodia, 2013

of a potential bilateral investment treaty (BIT) (U.S. Department of State, Investment Climate Statement, 2013).

(ii) Foreign Trade Zones/Free Trade Zones

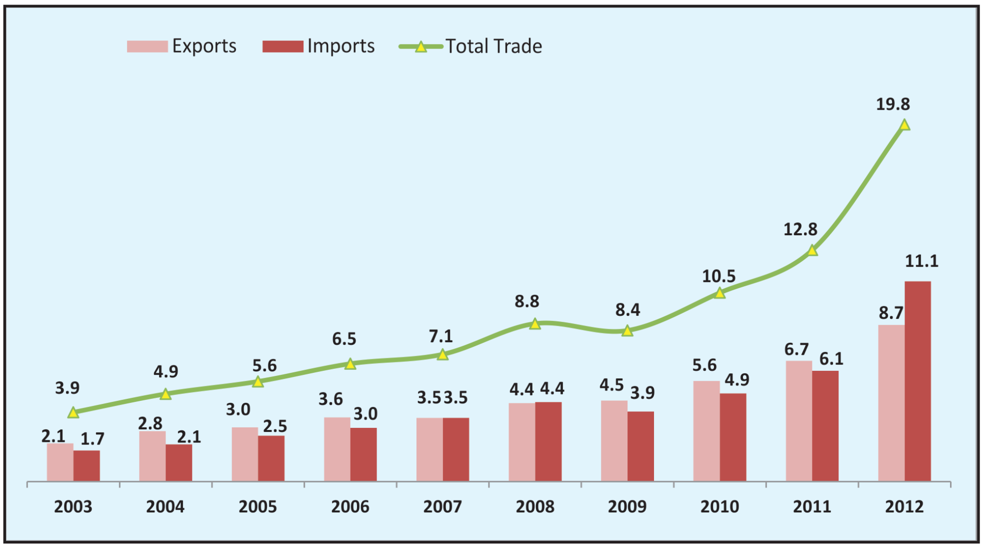
To facilitate the country's development, the Cambodian government has shown great interest in increasing exports via geographically defined special economic zones (SEZs). The government adopted the Sub-Decree on Special Economic Zones, which defines SEZs and establishes rules under which they operate. In December 2005, the Council of Ministers passed the Sub-Decree on Establishment and Management of Special Economic Zones to speed up the creation of the zones. The sub-decree details procedures, conditions, and incentives for the investors in the zone. Since issuing the sub-decree, the Cambodia Special Economic Zones Board had approved 25 SEZs, of which nine are in operation. These SEZs are located near the borders of Thailand and Vietnam, and in Phnom Penh, Kampot, and Sihanoukville. Others are at different stages of development and some remain undeveloped. The main sectors of investment in SEZs include garments, shoes, bicycles, food processing, car and motorcycle assembly, and electrical equipment industries (U.S. Department of State, Investment Climate Statement, 2013)
.

Lao PDR

The land-locked country of Lao PDR acceded to the WTO in 2013. As a WTO member, Lao PDR has agreed to bind its tariffs - in other words, set maximum rates - at an average of 18.8 percent for all goods, with an average bound rate of 19.3 percent for agricultural goods, and an average bound rate of 18.7 percent for all other products.

During the decade 2003-2012, the total trade of Lao PDR grew more than seven-fold, from US$ 1.1 billion in 2003 to US$ 8.1 billion in 2012 **(Chart 4.4).** Exports of Lao PDR increased to US$ 2.8 billion in 2012 from US$ 0.4 billion in 2003, witnessing a CAGR of 25.1 percent. Lao PDR's export basket in 2012 mainly comprised copper and articles (22.4 percent of its global exports), mineral fuels (18.8 percent), ores, slag and ash (18.2 percent), wood and articles (11.5 percent), articles of apparel (9.6 percent), coffee, tea, mate and spices (2.7 percent) and inorganic chemicals (2.6 percent). Thailand was the principal export destination of Lao PDR, accounting for 45 percent of total

Chart 4.3: International Trade of Cambodia, US$ billion



Source: Trade Map, ITC and Exim Bank India Analysis

exports in 2012, followed by China (28.7 percent), India (5.2 percent), Japan (4.5 percent), UK (3.9 percent), Germany (2.9 percent), Australia (1.7 percent) and the Netherlands (1.4 percent).

Imports of Lao PDR amounted to US$ 5.4 billion in 2012, growing by a CAGR of 25.0 percent from US$ 0.7 billion in 2003. Imports basket of Lao PDR in 2012 included mineral fuels (17.7 percent of total imports), vehicles other than railway (17 percent), machinery & instruments (16.1 percent), electrical & electronic equipment (6.3 percent), articles of iron or steel (3.4 percent), aircraft, spacecraft, and parts (3.2 percent), iron and steel and meat and edible meat offal (3.1 percent each). Thailand accounted for the bulk of Lao PDR's imports during 2012, accounting for 67.3 percent of the total imports. China (17.4 percent of total imports), South Korea (3.1 percent), Germany (2.9 percent), Japan (2.6 percent) and France (0.7 percent) were the other major sources of the country's imports in the same year.

(i) Bilateral Investment Agreements

Lao PDR has bilateral investment agreements with Australia, Burma, Cambodia, China, Cuba, Denmark, France, Germany, India, Indonesia, Japan, Kuwait, Malaysia, Mongolia, Netherlands, North Korea, Pakistan, Philippines, Russia, South Korea, Singapore, Sweden, Switzerland, Thailand, the United Kingdom, and Vietnam.

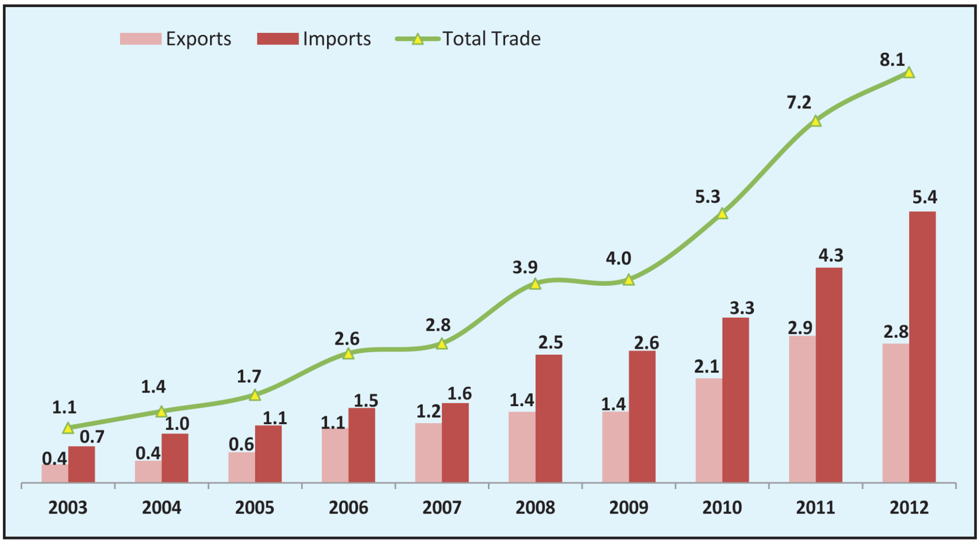
On February 1, 2005 a Bilateral Trade Agreement (BTA) came into force between USA and the Government of Lao PDR (U.S. Department of State, Investment Climate Statement, 2013).

(ii) Foreign Trade Zones/Free Ports

There are 6 Specific Economic Zones, 2 Special Economic Zones, 1 trade zone and one Comprehensive Development Zone. These Specific Economic Zones and Special Economic Zones are: Savan-Seno Special Economic Zone, Golden Triangle Special Economic Zone, Boten Dan Ngam Specific Economic Zone, Industrial Park and Vientiane Nonthong Trade Zone, Phou Kiew Specific Economic Zone, Saysettha Comprehensive Development Zone, Thatluang Lake Specific Economic Zone, Longhanh – Vientiane Specific Economic Zone, Dongphosy Specific Economic Zone and Thakhek Specific Economic Zone.

The Savan-Seno Special Economic Zone in Savannakhet province borders Thailand. It appears to be developing as a production, supply, and distribution center.

Chart 4.4: International Trade of Lao PDR, US$ billion



Source: Trade Map, ITC and Exim Bank India Analysis

Lao laws pertaining to trade are supposedly applied uniformly across the entire customs territory of Lao PDR, including all sub-central authorities, special economic zones, specific economic zones and border trade regions. In reality, however, customs practices vary widely at ports of entry in the provinces. Centralization of customs collection by the central government has led to more uniform practices and increased the flow of customs revenue to the central government. In order to comply with National Single Window requirements under the ASEAN Single Window, in 2012 Lao PDR began operating the Automated System for Customs Data at the busiest point of cross-border trade, the Lao-Thai Friendship Bridge linking Vientiane with Thailand (U.S. Department of State, Investment Climate Statement, 2013).

Myanmar

During the last decade, total trade of Myanmar increased four-fold, from US$ 5.7 billion in 2003 to US$ 25.2 billion in 2012 **(Chart 4.5)**. During the same period exports from Myanmar increased to US$ 9.7 billion in 2012, rising from US$ 2.8 billion in 2003, witnessing a CAGR of 15.0 percent. In 2012, mineral fuels were the major item of Myanmar's exports, accounting for 36.6 percent of total exports. Other major export items include wood and articles of wood, wood charcoal (12.1 percent of total exports), articles of apparel, accessories, not knit or crochet (8.7 percent), edible vegetables (8.4 percent), pearls, precious stones and metals (3.3 percent) and fish, crustaceans, molluscs, aquatic invertebrates (2.9 percent). Exports were primarily directed to the top four markets viz. Thailand, India, China and Japan, which account for 77 percent of Myanmar's total global exports in 2012. Other important destinations include South Korea, Malaysia, Vietnam, Singapore and Bangladesh. To boost exports, the government has exempted commercial tax on a number of export items like rice, beans, pulses, corn, sesame, rubber, freshwater and salt water products and animal products (except prohibited ones) as well as value added products made of timber and bamboo.

The EU's proposed reinstatement of preferential access for Myanmar's exports under the Generalized System of Preferences and USA's suspension of its ban on imports from Myanmar are likely to put an upward thrust on growth of exports. In addition, two large gas fields, Shwe and Zawtika, are expected to come online, resulting in more than doubling gas production and raising exports to China and Thailand. Higher gas exports, greater access to international markets, and faster economic growth in key markets such as China are likely to support growth in exports.

The import environment has been hampered by several serious disruptions, including: the priority list system discouraging consumer goods imports since 1998; the banning of foreign trading companies in 2002; purges of the customs corps in 2004 and 2006; and periodic closures of the border with Thailand. The hike in administered fuel prices in August 2007 depressed import demand because of the decline in purchasing power of domestic end-users and due to the subsequent mass protests and harsh crackdown. Indeed, despite being a major gas exporter, Myanmar is vulnerable to increases in global energy prices. Food imports account for only around 6 percent of the total basket. Despite huge inefficiencies in the agricultural sector, Myanmar is largely able to feed itself. Elsewhere, nearly one-fifth of recorded imports (as reported by Myanmar customs) are comprised of machinery and transport equipment, with refined mineral oil around one-fifth of the total. Base metals are 9 percent of the import basket (Dun & Bradstreet).

Merchandise import bill in Myanmar has risen in recent years, driven by a gradual liberalization of imports, as well as a rapid expansion in the number and total value of foreign-invested projects in oil and gas, power, mining and infrastructure sectors. Imports have grown at a much faster pace and were seen significantly higher at US$ 15.5 billion in 2012 from US$ 2.9 billion in 2003, with a CAGR of 20.4 percent. Vehicles other than railway formed Myanmar's major import item in 2012, accounting for 13.5 percent of total imports. Other principal import items were machinery and instruments (12.2 percent of total imports), articles of iron or steel (10.6 percent), mineral fuels (8.6 percent), electrical and electronic equipment (7.8 percent) and iron and steel (4.4 percent). China continued to remain Myanmar's largest import source over the decade, accounting for 37 percent of Myanmar's total imports. Other important sources in 2012 include Thailand, Singapore, South Korea and Malaysia. India was the 7th largest source, with a share of 3 percent of the total imports during 2012.

Myanmar follows the harmonised system. There are 22 bands of tariff rates, ranging from zero to 40 percent, with the lowest rates being applied to raw materials and agricultural implements. The tariff averages 15 percent for most industrial inputs, machinery and spare parts. As part of its accession to the ASEAN FTA, Myanmar is committed to reducing all external tariffs to zero for ASEAN members (and also for China) by 2015 (Dun & Bradstreet).

(i) Bilateral Investment Agreements

Myanmar has signed several bilateral investment agreements, also known as "Protection and Promotion of Investment" agreements, with Philippines, China, Lao PDR, Vietnam, Thailand, Kuwait and India. Investment treaty discussions are still underway with South Korea, and Japan began discussions with Myanmar in 2012 on a bilateral investment protection treaty. Myanmar has bilateral trade agreements with South Korea, China, Thailand, Bangladesh, India, Pakistan, Vietnam, Lao PDR, Philippines, and Malaysia in the Asian region, as well as with a number of Eastern European countries (U.S. Department of State, Investment Climate Statement, 2013).

(ii) Foreign Trade Zones/Free Ports

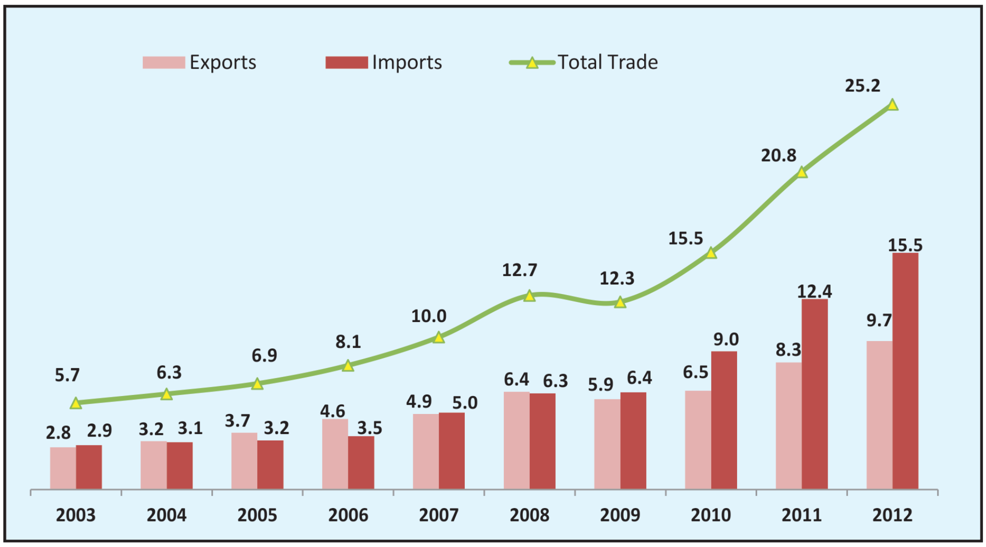
The government has set aside 19 industrial zones, large tracts of land surrounding Rangoon, Mandalay, and other major cities. These areas are, however, merely zoned for industrial use. They do not come with any special service or investment incentives. The Government of Myanmar (GOM) has developed a draft industrial zone law, which has not yet been publicly released.

There are three Special Economic Zones (SEZs) in Myanmar. Two (one in Dawei in Tanintharyi Division, and one at Kyauk Phyu off the western coast of Rakhine State) are being developed as deep sea ports. Kyauk Phyu and Dawei are at the very early stages of development. Thailand-based Italian-Thai Development Public Company Limited (ITD) is the project developer of the Dawei SEZ. The third is the Thilawa SEZ on the outskirts of Rangoon, which already hosts port facilities that can accommodate larger vessels and container throughput than can the inner ports of Rangoon.

In addition, Myanmar has enacted a Special Economic Zone (SEZ) Law in January 2011. The SEZ Law includes the following incentives for investors:

(a) Investors may apply for income tax exemption on the proceeds of export sales for the first five years from the day of commencement of production or service

Chart 4.5: International Trade of Myanmar, US$ billion



Source: Trade Map, ITC and Exim Bank India Analysis

(b) Investors may apply for fifty percent relief on income tax rate stipulated under the existing Law for the second five year period on proceeds from export sales
(c) For the third five-year period, if the profits obtained from export sales are re-invested, the investor may apply for fifty percent relief on the income tax rate stipulated under existing Law on the invested profits.

Shortly after enacting the SEZ Law, the GOM also enacted separate laws for the Dawei SEZ in the southeastern Tanintharyi Division (near the border with Thailand) which appears to substantially mirror the SEZ Law (U.S. Department of State, Investment Climate Statement, 2013).

Vietnam

During the last decade, the total trade of Vietnam increased over five-fold, from US$ 45.4 billion in 2003 to US$ 247.6 billion in 2012 **(Chart 4.6)**. Vietnam's exports rose to US$ 123.5 billion in 2012 from US$ 20.1 billion in 2003, witnessing a CAGR of 22.3 percent. Vietnam is among the leading exporters of agricultural products such as coffee, cashews, rice and rubber; meanwhile, the low-cost base has allowed garment and footwear manufacturers to expand. Manufacturers are moving into higher value-added segments; IT and electronics exports are set to become a dynamic growth industry. Vietnam is Southeast Asia's third-largest oil producer and a net oil exporter. In 2012, the main exports from Vietnam comprised electrical and electronic equipments (16.1 percent of total exports), mineral fuels, oils and distillation products (10.2 percent), footwear, gaiters and the like (9.2 percent), articles of apparel, accessories, not knit or crochet (8.1 percent) and machinery and equipments (5.1 percent).

The major destinations of Vietnam's exports in 2012 were USA (17.3 percent of total exports), China (13.1 percent), Japan (12.2 percent), Germany (5.3 percent) and South Korea (4.6 percent). Vietnamese exports to USA have greatly benefited from the USA - Vietnam Bilateral Trade Agreement.

Vietnam's imports in 2012 also stood higher at US$ 124.1 billion in 2012, from US$ 25.3 billion in 2003, with a CAGR of 19.3 percent. The main items of import of Vietnam in 2012 were electrical and electronic equipment accounting for 16.8 percent of total imports, machinery and equipments (11 percent), mineral fuels, oils and distillation products (8.0 percent), iron and steel (5.2 percent) and plastics and articles (4.9 percent). The main origins of Vietnam's imports in 2012 were China (27.6 percent of total imports), South Korea (12.8 percent), Japan (8.7 percent), Singapore (8.3 percent), and Chinese Taipei (6.8 percent).

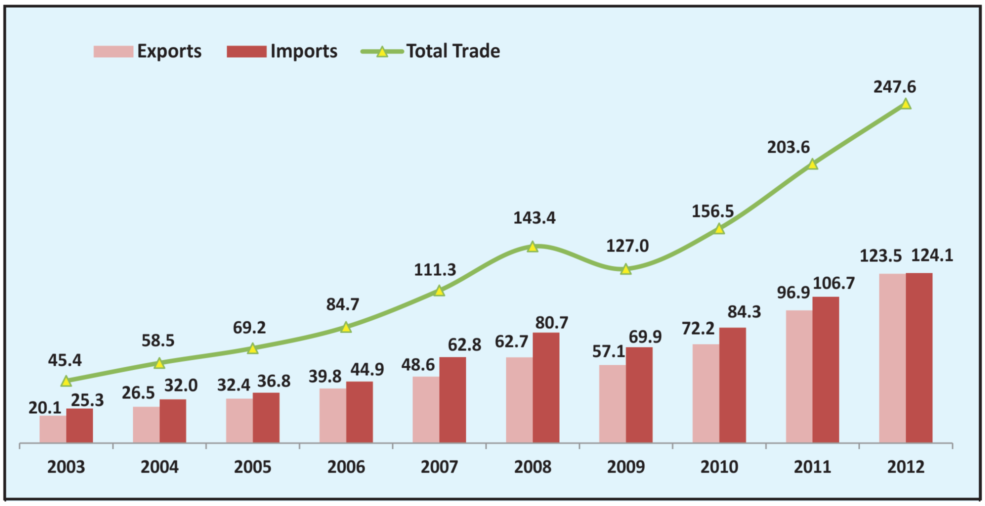
To bring the trade deficit under control in 2011, the government implemented import restrictions on a number of consumer goods (including some types of alcohol, automobiles and food products) that remain in place. In recent years, the government has repeatedly raised import tariffs on selected steel products, increasing them (in some cases) to the maximum tariffs allowed under the country's WTO commitments.[10]

(i) Bilateral Investment Agreements

Vietnam has 58 bilateral investment agreements with the following countries and territories: Algeria, Argentina, Armenia, Australia, Austria, Belarus, Belgium and Luxembourg, Bulgaria, Burma, Chile, China, Cuba, Czech Republic, Cambodia, Denmark, Egypt, Finland, France, Germany, Hungary, Iceland, India, Indonesia, Italy, Iran, Japan, Kazakhstan, Kuwait, Lao-PDR, Latvia, Lithuania, Malaysia,

[10]Dun and Bradstreet Report on Vietnam, 2013

Chart 4.6: International Trade of Vietnam, US$ billion



Source: Trade Map, ITC and Exim Bank India Analysis

Mongolia, Mozambique, Netherlands, North Korea, Oman, Philippines, Poland, Qatar, Romania, Russia, Singapore, South Korea, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, Tajikistan, Thailand, Ukraine, United Kingdom, Uruguay, Uzbekistan, United Arab Emirates, and Venezuela.

In December 2008, Vietnam and USA began negotiations of a Bilateral Investment Treaty (BIT), concluding the third round of talks in November 2009. Ongoing negotiations of a Trans-Pacific Partnership free trade agreement (TPP), in which both USA and Vietnam participate, address investment issues (U.S. Department of State, Investment Climate Statement, 2013).

(ii) Foreign Trade Zones/Free Ports

Vietnam has about 270 industrial zones (IZs) and export processing zones (EPZs), most of which are located in Vietnam's key economic zones. Projects in IPs and EPZs often enjoy investment incentives by sectors and geographical areas. Enterprises pay no duties when importing raw materials if the end products are exported. Vietnam committed to eliminating prohibited export subsidies on its accession to the WTO.

Many foreign investors note that it is easier to implement projects in industrial zones because they do not have to be involved in site clearance and infrastructure construction. Foreign investment in the industrial zones is primarily in the light industry sector, such as food processing and textiles. Customs warehouse keepers can provide transportation services and act as distributors for the goods deposited. Additional services relating to customs declaration, appraisal, insurance, reprocessing, or packaging require the approval of the provincial customs office.

Most goods pending import and domestic goods pending export can be deposited in bonded warehouses under the supervision of the provincial customs office. Exceptions include goods prohibited from import or export, Vietnamese-made goods with fraudulent trademarks or labels, goods of unknown origin, and goods dangerous or harmful to the public or environment. The inbound warehouse leasing contract must be registered with the customs bond unit at least 24 hours prior to the arrival of goods at the port. Documents required are a notarized copy of authorization of the holder to receive the goods, a notarized copy of the warehouse lease contract, the bill of lading, a certificate of origin, a packing list, and customs declaration forms. Owners of the goods pay import or export tax when the goods are removed from the bonded warehouse (U.S. Department of State, Investment Climate Statement, 2013).

5. INDIA'S BILATERAL RELATIONS WITH CLMV COUNTRIES

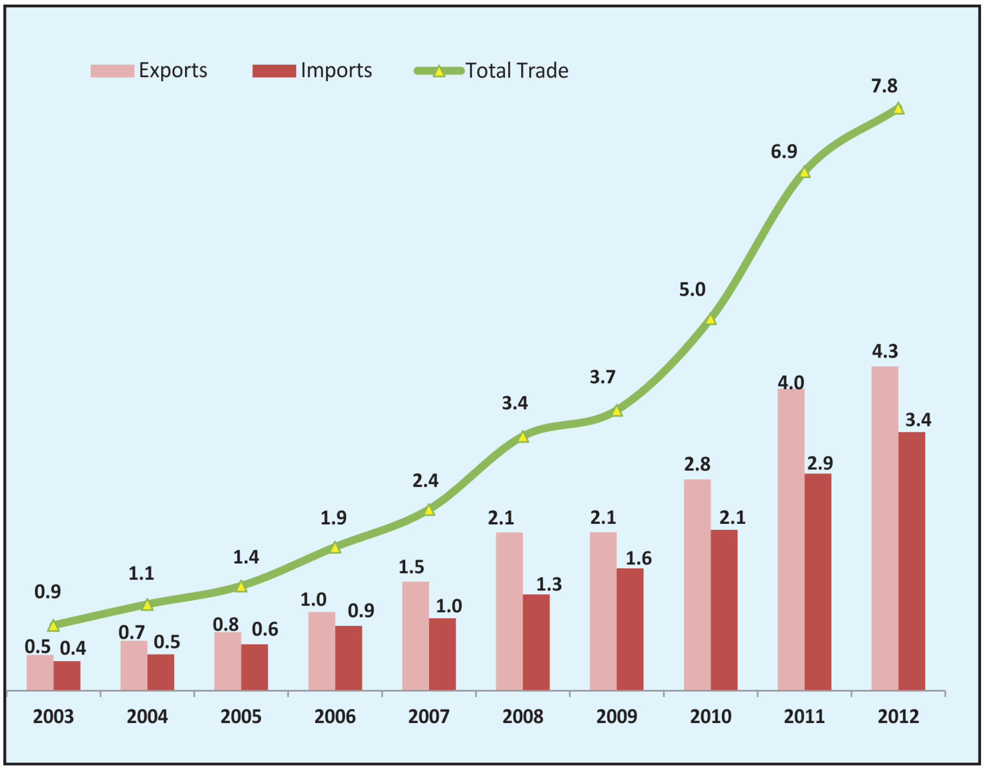
This chapter analyses India's trade and investment relations with the CLMV region, which in recent years have seen increasing ties.

INDIA'S BILATERAL TRADE RELATIONS WITH CLMV COUNTRIES

The adoption of "Look East Policy" by India in 1992 was an initiative towards developing extensive economic and strategic relations with the ASEAN nations (including CLMV countries). Since then India has progressed from a dialogue partner to the present status of a strategic partner. The economic and trade linkages which saw an expansion of trade volume stand testimony to the intensified economic engagement. During the last ten years, India's total trade with the CLMV countries has grown from US$ 870.5 million in 2003 to US$ 7.8 billion in 2012, close to a nine-fold increase. Trade balance is in India's favour, with a surplus amounting to US$ 876.9 million in 2012. India has a trade deficit with Myanmar, owing to increased imports of pulses and forest products from the nation. In the last three years, India's trade balance with Lao PDR also flipped to a deficit, stemming from increased imports of copper ores and concentrates from the nation. India's exports to the CLMV countries comprise pharmaceuticals; machinery and instruments; vehicles other than railway; plastics and articles and cotton. On the other hand, India's key imports from the region include rubber and articles; wood and articles of wood; ores, slag and ash; mineral fuels, oils and distillation products and coffee, tea and spices.

The Framework Agreement for Comprehensive Economic Cooperation (CECA) **(Annexure 3),** signed in 2003, laid the basis for the Free Trade Agreement (FTA) with ASEAN, including the CLMV countries. The key elements of Framework Agreement on CECA cover FTA in goods, services, and investment as well as economic cooperation in identified areas. In August 2009, India signed the FTA (Trade-in-Goods (TIG) agreement) with the ASEAN members in Thailand.

Chart 5.1: India's Trade with CLMV Countries, US$ billion



Source: Trade Map, ITC and Exim Bank India Analysis

The ASEAN-India FTA will provide tariff liberalisation of over 90 percent of products traded between the two regions. Tariffs on over 4,000 product lines are expected to be eliminated by 2016. The ASEAN-India TIG Agreement entered into force on January 1, 2010. The Trade in Services and Investments could not be included in that FTA as the two sides failed to reconcile their differences in time and it was decided to have a separate pact on these sectors. The services negotiations are taking place on a request-offer basis, wherein both sides make requests for the openings they seek and offers are made by the receiving country based on the requests. India has made requests in a number of areas including teaching, nursing, architecture, chartered accountancy and medicine as it has a large number of English speaking professionals in these areas who can gain from job opportunities in the ASEAN region, including the CLMV countries. India is also keen on expanding its telecom, IT, tourism and banking network in ASEAN countries.

Country-wise analysis of India's bilateral trade is given below.

Cambodia

India's bilateral trade with Cambodia has been on a rising trend, increasing close to six-fold from US$ 20.6 million in 2003 to US$ 120.2 million in 2012, buoyed by increasing exports **(Table 5.1)**. In 2012, Cambodia accounted for a marginal 0.2 percent of India's total trade with ASEAN, 0.3 percent of India's exports to ASEAN and had a negligible share in India's imports from the ASEAN region. Structurally, India enjoys a trade surplus with Cambodia.

India's exports to Cambodia grew at an annual average of 26.9 percent from US$ 20.3 million in 2003 to US$ 110.1 million in 2012. India was the 10th largest source of imports for Cambodia in 2012. Some of the key exports to Cambodia during 2012 include pharmaceuticals (24.1 percent of total exports to Cambodia), cotton (21.3 percent), residues, wastes of food industry, animal fodder (11.3 percent), manmade staple fibres (9.8 percent), vehicles other than railway, tramway (5.2 percent) and raw hides, skins and leather (4.8 percent). India was Cambodia's 5th largest global source of imports for cotton, 9th largest source for imports of sugar and sugar confectionery, knitted or crocheted fabric and petroleum products, and 13th largest global source for imports of electrical and electronic equipment.

In 2012, India's imports from Cambodia primarily comprised rubber and articles (40.9 percent), articles of apparel (34.2 percent), foot wears and gaiters (9.1 percent), animal and vegetable fats and oils (5.8 percent) and edible fruits and nuts (2.5 percent). India was the 7th largest destination for Cambodia's exports of rubber and articles as well as pearls and precious stones.

Table 5.1: India's Trade with Cambodia, US$ million

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Exports	20.3	16.8	21.4	48.1	44.8	53.9	41.6	61.0	89.6	110.1
Imports	0.3	0.2	0.4	1.5	1.2	4.3	3.7	7.6	8.4	10.1
Total Trade	20.6	17.0	21.8	49.6	46.1	58.1	45.3	68.7	98.0	120.2
Trade Balance	20.0	16.5	20.9	46.6	43.6	49.6	37.8	53.4	81.2	100.0

Source: Trade Map, ITC

Lao PDR

India's bilateral trade with Lao PDR has grown from US$ 0.7 million in 2003 to US$ 171 billion in 2012 **(Table 5.2)**. The trade balance which had been overwhelmingly in favour of India turned towards Lao PDR in 2010, primarily stemming from India's increased purchase of copper ores and concentrates from Lao PDR. India's exports to Lao PDR have increased on account of surge in sales of electrical and electronic equipment and pharmaceutical products to the region. However, during 2010, exports to Lao PDR fell to US$ 8.2 million while imports surged to US$ 20.1 million. In 2011, bilateral trade was US$ 84.1 million with exports from India at US$ 14 million, while imports from Lao PDR were US$ 70.2 million. In 2012, India's exports to Lao PDR amounted to US$ 27.3 million, while imports from Lao PDR at US$ 143.7 million, a two-fold increase from levels seen in 2011. In 2009, India has accorded the Duty Free Tariff Preference Scheme (DFTP) to LDCs including Lao PDR. The Scheme grants Lao PDR duty free access to 94 percent of India's total tariff lines.

India's exports to Lao PDR have increased in recent years on account of surge in sales of aluminium articles, metal articles and pharmaceutical products. In 2012, India's key exports to Lao PDR included meat and meat offal (37.8 percent of total exports to Lao PDR), vehicles other than railway, tramway (19.2 percent), aluminium and articles (18.1 percent), pharmaceutical products (4.7 percent) and plastics and articles (4.5 percent).

In 2012, ores, slag and ash formed India's key imports from Lao PDR, forming 99.3 percent of India's total imports from the region. Rise in India's imports from Lao PDR in recent years is as a result of increased imports of metaliferrous ores and metal scrap

Table 5.2: India's Trade with Lao PDR, US$ million

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Exports	0.5	1.0	6.5	2.4	2.9	4.6	26.9	8.2	14.0	27.3
Imports	0.2	0.1	0.1	0.4	0.1	0.5	0.2	20.1	70.2	143.7
Total Trade	0.7	1.0	6.6	2.7	3.0	5.1	27.1	28.3	84.1	171.0
Trade Balance	0.3	0.9	6.5	2.0	2.9	4.1	26.7	-11.9	-56.2	-116.4

Source: Trade Map, ITC

from the region. In 2012, India was the 2nd largest destination for exports of ores, slag and ash, the 6th largest destination for Lao PDR's exports of copper and articles thereof and the 7th largest destination of wood and articles of wood.

Myanmar

Since early 1990s, with the adoption of the Look East Policy (LEP), engagement between India and Myanmar has been growing consistently. Trade relations between India and Myanmar have witnessed a steady growth in recent years, with India's trade having risen from US$ 436.8 million in 2003 to close to US$ 2 billion in 2012 **(Table 5.3)**, more than four-fold increase. In 2012, India accounted for 15 percent of Myanmar's global exports in 2012, and ranking as its 3rd largest export market. However, trade balance is in Myanmar's favour, owing to increased imports of pulses and forest based products from Myanmar. The two countries have set a trade target of US$ 3 billion to be achieved by 2015.

India's exports basket to Myanmar primarily comprises pharmaceutical products, articles of iron or steel, machinery and instruments, electrical and electronic equipment, residues and animal fodder and iron and steel which together account for as much as 73 percent share in India's total exports to Myanmar in 2012.

As regards India's imports from Myanmar, two products viz. wood, wood articles and charcoal and edible vegetables dominate the import basket, accounting for as much as 95 percent of India's total imports from Myanmar. For both these items, Myanmar is India's largest import source, accounting for a share of 26 percent each in India's global imports of wood and wood articles and edible vegetables, roots and tubers.

Table 5.3: India's Trade with Myanmar, US$ million

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Exports	76.6	112.7	117.2	124.1	162.8	237.3	208.2	272.6	455.9	526.9
Imports	360.2	410.7	489.2	702.7	809.1	906.3	1181.8	1122.1	1262.0	1346.2
Total Trade	436.8	523.4	606.4	826.8	971.8	1143.6	1390.0	1394.7	1717.9	1873.0
Trade Balance	-283.6	-298.0	-371.9	-578.6	-646.3	-668.9	-973.6	-849.6	-806.2	-819.3

Source: Trade Map, ITC

Border Trade through North East Region

Border trade between India and CLMV countries (through Myanmar) has special significance and there is immense potential to enhance bilateral economic relationship due to the geographical continuity with India and Myanmar sharing 1,643 kms of common border in the North Eastern Region. India's four states in the North Eastern Region viz. Mizoram, Manipur, Nagaland and Arunachal Pradesh share international border with Myanmar **(Table 5.4).**

India and Myanmar signed a border trade agreement in 1994 and have two operational border trade points (Moreh-Tamu and Zokhawthar –Rhi) on the 1664 km long border **(Table 5.5)**. Agreement has also been reached on setting up a third border trade point at Avakhung-Pansat/Somra. Later in 2008, it was agreed that border trade at the existing points would be upgraded to normal trade so as to promote bilateral trade between the two countries. Notifications to this effect have been issued by both sides. In 2012, India and Myanmar entered into MOU to open border haats.

Initially, the agreement provided for cross border trade in 22 products, mainly agricultural. Now the list of items for border trade has been increased to 40 since 2008. In December 2012, DGFT raised the number of border trade items to 62. Rice, wheat, corn, medicines and 18 other items were added to the list of goods for trade at Indo-Myanmar bordering areas. The other newly added items include agricultural tools, bicycles, coal, garments, edible oil, electrical appliances, steel products, tea, beverages, motor cycles and spare parts, semi precious stone, sewing machines and three wheelers/ cars below 100cc.

At present there are four Land Customs Stations (LCS) in India dealing with

Table 5.4: Length of India's Border with Myanmar

Indian North-East States	Border length with Myanmar (in kms)
Arunachal Pradesh	520
Manipur	398
Mizoram	510
Nagaland	215
Total	1643

Source: Research and Information System (RIS), 2011 border trade with Myanmar of which Moreh (in Manipur state of India) is the most active one. According to a study by RIS, the Moreh LCS in Manipur (Tamu in Myanmar) was operationalised in April 1995 and handles 99 percent of India's border trade with Myanmar. Trade along Indo-Myanmar border remains relatively low in comparison with Sino-Myanmar and Thai-Myanmar borders **(Table 5.6)**. India has been a late entrant but the opening of more border points is likely to increase the volume of border trade. The LCS have found to be beset with infrastructure deficit. Several factors such as unavailability of electricity, bad road, manual handling of goods, unfriendly exchange rate and many such barriers, among others, are making trade at border expensive, thus, resulting in increasing incidence of unofficial (informal) trade. In addition, high transaction costs at border also contribute to unfriendly trading environment. Indian government has made several efforts to strengthen the border infrastructure, including the Integrated Check-Post (ICP) project at Moreh with an investment of ₹ 13.6 billion, so as to promote trade across the border. Improved land connectivity through border would also result in higher trade flows between the two countries. To accommodate the rising trade, however, border infrastructure at all the LCS on both sides of the border has to be strengthened.

Major items imported by Myanmar from India include cotton yarn, auto parts, soya bean meal and pharmaceuticals **(Table 5.7)**. On the other hand, betel nuts, dried ginger, green mung, black matpe beans, turmeric roots, resin and medicinal herbs are India's main

Table 5.5: Land Customs Stations Dealing Indo-Myanmar Trade

NER State in India	LCS in India	LCS in Myanmar
Arunachal Pradesh	Nampong	Pan Saung
Manipur	Moreh	Tamu
Mizoram	Zokhawthar (Champhai)	Rih

Source: RIS, 2011

Table 5.6: India's Border Trade with Myanmar, US$ million

Year	Myanmar's Exports	Myanmar's Imports	Total Trade
2009-10	7.8	6.0	13.7
2010-11	8.3	4.5	12.8
2011-12	8.9	6.5	15.4
2012-13	25.1	10.6	35.7

Source: Embassy of India, Yangon

Table 5.7: Commodities Traded at Moreh, 2010

Exports from India	Imports by India
Fertiliser	Precious stones
Sugar	Dry ginger
Life saving medicines	Reed broom
Agarbatti	Pulses
Bicycle spares	Resins
Leather products	betel nut
X ray and photo paper	Bean
Paints and Varnish	Rice
Cotton fabrics	Turmeric
Handloom textiles	Timber
Stainless steel	Timber
Blades	Sunflower
Salt	Red Kidney bean
Cosmetics	Teakwood
Spices	Rapeseed
Menthol	Fresh vegetables
Bicycle	Fruits
Motor cycle	Tobacco
Redwood	Sesame
Mosquito coil	Soyabean
Soyabari	Katha
Electric coil	Pearls
Bitumen	Kuth root
Wheat flour	Onion
Machinery	Spice
Steel	Garlic
Bleaching Powder	Chilly
	Coconut
	Mosquito coils
	Gram
	Electric equipment
	Garments
	Furniture
	Candle
	Electronic goods
	Blanket
	Imitation jewellery
	Petrol
	Fish

Source: RIS

imports from Myanmar. According to Myanmar Department of Border Trade, the border trade turnover between India and Myanmar ranges from US$ 10 to US$ 22 million which will be higher if informal trade is taken into account (Indian Embassy, Yangon). Secondary reports also show the prevalence informal trading of items like fertilizers, vehicles, particularly two-wheelers from India to Myanmar through land border.

Vietnam

In recent years, India's relations with Vietnam are marked by growing economic and commercial engagement. Bilateral trade between India and Vietnam reached US$ 5.6 billion in 2012, up from US$ 412.4 million in 2003 **(Table 5.8)**. The two sides have set a target of US$ 7 billion for bilateral trade by 2015. Vietnam ratified the India-ASEAN FTA in goods with effect from June 1, 2010. The proposed agreement on trade in services and investment is likely to impart further boost to bilateral trade and economic relations.

In 2012 India was the 10th largest global source of imports for Vietnam, accounting for 2.9 percent of Vietnam's total global imports. During the same period, India was the 4th largest global supplier of cotton to Vietnam. India was also the 10th largest supplier of plastics and articles 11th largest supplier of vehicles other than tramway. The main commodities that constituted India's exports to Vietnam in 2012 comprised meat and edible meat offal (22.6 percent), fish, crustaceans and molluscs (13.1 percent), oil seed and oleagic fruits (11 percent), cereals (8.9 percent), residues and wastes of food industry (7 percent) and cotton (4 percent).

Electrical, electronic equipment (38.5 percent), rubber and articles (10.2

Table 5.8: India's Trade with Vietnam, US$ million

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Exports	378.8	534.8	633.5	874.1	1241.5	1812.6	1833.5	2475.6	3466.5	3658.2
Imports	33.6	73.2	127.4	159.8	153.1	371.6	442.9	993.5	1554.3	1945.5
Total Trade	412.4	608.1	760.8	1033.9	1394.6	2184.2	2276.4	3469.1	5020.8	5603.6
Trade Balance	345.3	461.6	506.1	714.3	1088.3	1441.0	1390.6	1482.1	1912.2	1712.7

Source: Trade Map, ITC

percent), machinery and instrument (6.8 percent), coffee, tea and spices (6.3 percent) and mineral fuels, oils and distillation products (3.5 percent) were India's key imports from Vietnam during 2012. India is Vietnam's 8th largest destination for both rubber and articles, and coffee, tea and spices.

INDIA'S INVESTMENT RELATIONS WITH CLMV COUNTRIES

India's approved direct investments in Joint Ventures (JVs) and Wholly Owned Subsidiaries (WOS) in the CLMV region amounted to US$ 15.4 million during 2012-13, with the bulk of the flows directed to Cambodia (62.3% of the total flows to the CLMV region) **(Annexure 4)**.

Country-wise analysis on India's investment flows is covered below.

CAMBODIA

India's approved direct investments in JVs and WOS in Cambodia amounted to US$ 9.6 million during 2012-13. Cumulative FDI outflow from India into Cambodia during April 1996 – March 2013 was US$ 24.6 million.

Some of the Indian companies present in Cambodia include Kirloskar Brothers Ltd., WAPCOS, Essar Group, Angelique International Ltd., Tata Steel, Ranbaxy, Glenmark and Futurelinks India Pvt. Ltd. Bank of India has also set up a branch at Phnom Penh in 2009.

Bilateral Agreements[11]

Select bilateral agreements signed between India and Cambodia are highlighted below:

- MOU on Tourism Cooperation (Feb 18, 2000)
- Cultural Exchange Programmes (CEP), (Feb 18, 2000)
- Agreement on Trade (Nov 16, 2003)
- MOU for setting up of Cambodia-India Entrepreneurship Development Centre (CIEDC) (Aug 25, 2005)
- MOU on Cooperation in the field of Water Resources Management (Dec 8, 2007)
- Work Plan under MOU on Agricultural Cooperation for 2007 and 2008 (Dec 8, 2007)
- MOU on Cooperation and Technical Assistance between ONGC Videsh Limited and Cambodian National Petroleum Authority (Dec 8, 2007)

[11]India- Cambodia Relations, January 2013 -Ministry of External Affairs (MEA), Government of India (GOI)

- MOU on supply and installation of 1500 hand pumps in two provinces of Cambodia, namely Kampong Cham and Banteay Meancheay (Sept 9, 2011)
- MOU on setting up of Center for IT Excellence in Cambodia (Feb 1, 2012)

Assistance and Capacity Building[12]

- For the purpose of capacity building, India has set up in Phnom Penh Cambodia-India Entrepreneurship Development Centre (CIEDC) in February, 2006 and Cambodia-India Centre for English Language Training (CICELT) in August, 2007.
- Cambodia is a major recipient of India's Indian Technical and Economic Cooperation (ITEC) Programme and has utilized around 1000 civilian training slots and about 100 defence training slots till date.
- An Indian expert in water management was deputed for one year period from June 2009 to June 2010 under ITEC to assist APSARA Authority at Siem Reap.
- In the last few years, there has been a steady enhancement of defence cooperation between the two countries.

Lao PDR

India's approved direct investments in JV's and WOS in Lao PDR amounted to US$ 0.2 million during 2012-13. Cumulative FDI outflow into Lao PDR, during April 1996 - March 2013 amounted to US$ 10.3 million. Some of the Indian companies invested in Lao PDR include Grasim Industries Ltd., Integrity Geosciences Pvt Ltd, CCS Grower Systems Private Ltd etc, in sectors such as agriculture; construction and mining.

Some of the major investments made by Indian companies in Lao PDR include:

- Birla Lao Pulp and Plantation, established in June 2006, is committed to investing US$ 400 million in a Eucalyptus pulp and plantation project in Savannakhet province. This is the biggest Indian FDI in Lao PDR. The company has spent US$ 31 million up to March 2012.
- The Lao SPG CMC Mining Company Limited, a subsidiary of GIMPEX India, obtained a

[12]India- Cambodia Relations, January 2013- MEA, GOI

license for an iron ore mine in 2008, with a commitment to invest US$ 10 million, out of which US$ 7.7 million has been spent. This is a 200 hectare iron-ore mine at Ta En village, Viengxay district, Samneua province. As on March 21, 2011, the mine has produced 60,717 metric tonnes of iron-ore, of which 56,408 metric tonnes have been exported to China.

- The HSMM Group has invested US$ 13.8 million in agar wood plantations and two factories in Vientiane and Xaysomboun, Vientiane province. It has a US$ 0.8 million iron ore mine in Sekong province, and another US$ 0.1 million iron ore mine in Khammuan province.

- Apollo Tyres Ltd. (ATL) has taken on lease about 10,000 hectares of land in Lao PDR for rubber plantation. ATL is the first Indian company to acquire a property for growing rubber.

- India has signed "Trade and Economic Cooperation Agreement" and "Bilateral Investment Promotion and Protection Agreement" with Lao PDR, which lay down the basic framework for trade and investment[13].

- In May 2009, India introduced Duty Free Tariff Preference Scheme to LDCs, which includes Lao PDR. With the introduction of this scheme, almost all of Lao PDR's exports to India are free of customs duty.

- Under human resource development, the Government of India has been providing over 210 scholarships to Lao nationals through ITEC Programe, the TCS Colombo Plan, the Mekong-Ganga Cooperation Scholarship Scheme and the General Cultural Scholarship Scheme. In 2010-11 the GOI provided over 161 scholarships to Lao nationals under the above categories. So far, under ITEC, GOI has trained about 1000 Lao nationals.

- The LICELT [Lao India Centre for English Language Training] was set up in Vientiane in June, 2007 under the India-ASEAN Cooperation framework, and is one of the assistance projects in the direction of capacity-building and self-sustaining capability of Lao PDR.

- The LIEDC (Lao-India Entrepreneurship Development Centre) was set up under India-ASEAN Fund and inaugurated in

[13]Brief on India- Laos Bilateral Relations, July 2013-MEA, GOI

November, 2004. LIEDC trains Lao entrepreneurs for setting up small and medium scale business.

- Restoration work of Vat Phou Temple, the most ancient symbol of Hindu civilization in the region, by ASI Team is in progress as per MOU signed by India and Lao PDR in 2007.
- Lao PDR and India have signed several agreements over the past few years. These agreements lay down the essential framework for bilateral cooperation in matters relating to science, technology, economic cooperation and trade, as well as in defence and consular matters. Some of the agreements include:

✓ Bilateral Investment Promotion & Protection in November 2000.

✓ Agreement on Cooperation in Defence, November, 2002.

✓ Agreement on Cooperation in Science & Technology, June, 2003.

✓ Agreement for Mutual Cooperation on Drug Demand Reduction and Prevention of Illicit Trafficking and related matters came into force from February, 2005.

✓ Agreement on Exemption of Visa Requirement for Holders of Diplomatic and Official Passports between India and Lao PDR came into force in April, 2005.

✓ MOU for restoration of Wat Phou UNESCO World Heritage Site in May, 2007.

✓ MOU for setting up Centre for English Language Training in June, 2007.

Myanmar

During April 1996 to March 2013, the cumulative approved Indian FDI outflows in JVs and WOS (including equity, loan and guarantee issued) to Myanmar stood at US$ 192 million. On the other hand, cumulative inflows into India from Myanmar during April 2000-March 2013 amounted to US$ 8.9 million.

As on December 2012, India was the 10th in terms of foreign investments to Myanmar (Indian Embassy, Yangon). Around 98 percent of Indian investments in Myanmar is in the oil and gas sector with the remaining 2 percent in manufacturing. Indian companies having operations in Myanmar include ONGC Videsh Limited (OVL), Jubilant Oil and Gas, and Century Ply, Tata Motors, Essar Energy, RITES, Escorts, Sonalika

Tractors, Zydus Pharmaceuticals Ltd., Sun Pharmaceuticals Ltd., Ranbaxy, Cadila Healthcare Ltd., Shree Balaji Enterprises, Shree Cements, Dr. Reddy's Lab., CIPLA, Gati Shipping Ltd., TCI Seaways, Apollo and AMRI. In the banking domain, United Bank of India has set up a representative office in Myanmar. Bank of India and State Bank of India have also expressed interest in setting up offices in Myanmar.

India is actively involved in a number of developmental projects in Myanmar, by way of implementation, and technical and financial assistance for several projects in infrastructural and non-infrastructural areas. These include:

- Setting up of a national centre of excellence-the Myanmar Institute of Information Technology (MIIT) being set up at Mandalay
- Setting up of an Advanced Centre for Agricultural Research and Education (ACARE) along with a Rice Bio Park at Yezin Agriculture University Nay Pyi Taw
- Implementation of various connectivity projects including the :
  - Kaladan Multimodal Transit Transport Project, building/ upgrading 71 bridges on the Tamu-Kalewa-Kalemyo road
  - Construction/ upgradation of the Kalewa-Yargyi section of the trilateral highway (which envisages seamless connectivity between India, Myanmar and Thailand by 2016)
- Setting up of an India-Myanmar Industrial Training Centre in Pakokku with the assistance of Government of India, with a second centre is being set up in Myingyan
- Setting up of Myanmar-India Centre for English Language (MICELT), and a Myanmar-India Entrepreneurship Development Centre (MIEDC) with the assistance of Government of India
- Setting up and upgradation of the India-Myanmar Centre for Enhancement of IT Skills (IMCEITS) with state of the art equipment with Government of India assistance
- Setting up a Language Laboratories and E-Resource Centre at the Ministry of Foreign Affairs in Yangon and Nay Pyi Taw
- Other projects include restoration of the Ananda Temple in Bagan, upgradation of the Yangon Children's Hospital, Sittwe General Hospital along with proposed upgradation of Monywa General Hospital.

- Besides, the Government of India is also closely working with the Government of Myanmar towards implementing the MOU on Border Area Development where India has granted an assistance of US$ 5 million each year for five years. The first year project is under implementation and under which 21 schools, 17 health centres and 8 bridges are being built in Chin State and Naga self Administered Zone of Myanmar.

India – Myanmar Regional Agreements

- ***Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation* (BIMSTEC)** is an international organisation involving Bangladesh, India, Myanmar, Sri Lanka, Thailand, Bhutan and Nepal. Myanmar is a signatory to the BIMSTEC Free Trade Agreement, and trades mostly with Thailand and India in the region.

- ***Mekong Ganga Cooperation (MGC)*** is an initiative by six countries – India and five ASEAN countries namely, Cambodia, Lao PDR, Myanmar, Thailand and Vietnam – for cooperation in the fields of tourism, education, culture, transport and communication.

- ***South Asian Association for Regional Cooperation (SAARC)*** is an organisation of South Asian nations (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka). Myanmar was given the status of observer in SAARC in August 2008.

- ***Association of Southeast Asian Nations (ASEAN)*** Myanmar is the only ASEAN country which shares a land border with India, and is a bridge between India and Southeast Asian markets (brief on ASEAN countries is given in Annexure 1).

Other Areas of Cooperation[14]

- Shipping Corporation of India Ltd. (SCI) has completed a feasibility study to start a liner service between India and Myanmar.

- India and Myanmar signed a double taxation avoidance agreement (DTAA) in April 2008 and a Bilateral Investment Promotion and Protection Agreement (BIPA) on June 24, 2008, which came into effect on February 8, 2009.

- An India-Myanmar Industrial Training Centre has been set up by HMT(I) in Myanmar with the assistance of GOI, while the Myanmar-India Centre for

[14]India- Myanmar Relations, May 2012- MEA, GOI

English Language (MICELT), a Myanmar-India Entrepreneurship Development Centre (MIEDC) and an India-Myanmar Centre for Enhancement of IT Skills (IMCEITS) are all operational.

- Other projects include revamp of the Ananda Temple in Bagan, upgradation of the Yangon Children's Hospital and Sittwe General Hospital, erection of disaster proof rice silos etc.
- India has also assisted in the reconstruction of 1 high school and 6 primary schools in Tarlay township, the area worst affected by the severe earthquake that struck north-eastern Myanmar in March 2011.

Vietnam

Vietnam continues to be an attractive investment destination for Indian companies. India's approved direct investments in JVs and WOS in Vietnam during April 1996 - March 2013 amounted to US$ 472.9 million. Several Indian companies in sectors as diverse as oil and gas, steel, minerals, tea, coffee, sugar and food processing have invested in Vietnam. Most Indian investments are in the form of wholly foreign invested projects. Cumulative FDI inflows into India from Vietnam during April 2000 to March 2013 amounted to US$ 0.24 million.

- ONGC Videsh Ltd. (OVL), Essar Exploration and Production Ltd, Nagarjuna Ltd, Venkateswara Hatcheries, Philips Carbon and McLeod Russell are some of the major Indian investors. In the field of Information Technology (IT) training, NIIT, APTECH and Tata Infotech have so far opened more than 50 franchised centers spread all across Vietnam. Banks like Bank of India and Indian Overseas Bank have representative offices in Ho Chi Minh City.
- Currently India has about 70 business representative offices in Vietnam. They mainly operate in fields of pharmaceuticals, machinery, equipment, chemicals and agricultural supplies.
- Indian company Marico has picked up 85 percent equity in International Consumer Products Corporation while Fortis Healthcare International bought 65 percent stake in Vietnam's Hoan My Medical Corporation for US$64 million.
- India has agreed to consider earmarking US$ 100 million under buyer's credit under the National Export Insurance Account for use by Vietnam.
- Tata Steel plans to invest US$ 5 billion in a Greenfield steel project in central Vietnam.

- Tata Power Co. Ltd. has signed a contract worth US$ 1.8 billion to invest in a thermal power project in Vietnam's Mekong Delta province of Soc Trang. It is billed as the largest Indian investment in Vietnam.

- Major pharmaceutical firms such as Torrent, Zydus Cadila, Glenmark and Panacea Biotech have also set up offices to promote their products in Vietnam. Incidentally, India is one of the largest exporters of pharmaceutical products to Vietnam.

Other areas of Cooperation[15]

- The two nations have signed the BIPPA, Double Tax Avoidance Agreement (DTAA) and the Consular Agreement.

- A maritime trade agreement was signed in May 2013, which aims to expand maritime transport between Vietnam and India, promote bilateral economic exchanges and trade, and improve the Vietnamese maritime sector's regional and international opportunities.

- India has set up the Vietnam-India Entrepreneurship Development Centre and Vietnam-India Center for English Language Training, providing technical assistance to the Government of Vietnam, as part of its support to the Initiative for ASEAN Integration.

- In the Information and Communication Technology (ICT) sector, India has set up the Vietnam-India Advanced Resource Centre in Hanoi. The Centre provides a wide range of training in ICT, application of e-learning technology in education, infrastructure for digital library, for web-portal creation and service and for GIS Application development. India is also providing a PARAM Supercomputer to Vietnam.

- A joint venture between FPT, Vietnam and India's APTECH to establish training centre for Vietnam's IT professionals in India.

- Vietnam has been a key recipient of training programmes under ITEC Programme and other scholarship schemes. In 2011, India offered 75 slots under ITEC and 6 slots for post-graduate courses under General Cultural Scholarship Scheme (GCSS). Vietnam has also been utilising 20 scholarships under CEP and since 2006, 10 slots for undergraduate courses funded by Mekong Ganga Cooperation (MGC) programme.

[15]India-Vietnam Relations, July 2013- MEA, GOI

- Under the ASEAN framework India would provide assistance in the opening of a new Vietnam-India Centre for English Language Training at the Diplomatic Academy of Vietnam. A proposal to set up a Centre for Tracking and Data Reception and an Imaging facility in Vietnam under ASEAN-India Cooperation mechanism is under consideration. This Centre will be fully funded by India.

- Select agreements signed by the two nations include:

  - MOU on India-Vietnam Friendship Year 2012
  - Agreement on Cooperation between Petrovietnam and ONGC Videsh Limited
  - Work Plan for the years 2011-2013 in the fields of agricultural and fishery research and education
  - Cultural Exchange Program for the years 2011-2014
  - Protocol on cultural activities in the 'Vietnam India Friendship Year 2012'
  - MOU between the two central banks – Reserve Bank of India and the State Bank of Vietnam – signed in 2012

6. POTENTIAL AREAS FOR ENHANCING BILATERAL TRADE RELATIONS WITH CLMV COUNTRIES

As highlighted in the previous chapter, bilateral trade relations between India and the CLMV countries have increased more than eight-fold in the last ten years, buoyed by a pickup in both exports and imports. Trade balance has been in India's favour, with a surplus amounting to US$ 876.9 million in 2012.

In this regard, with a view to boosting bilateral trade relations with CLMV region, an important endeavour could be enhanced sourcing of the region's imports from India, in which India has export capability and competitiveness. This would also, at the same time, help in increasing India's exports and boost further India's trade surplus with the CLMV countries.

An important strategy to boost trade relations with the CLMV countries would entail identification of potential items of India's exports, which would be based on the following analysis:

- Identification of major categories of the CLMV countries' import basket, and share of India in each product line of imports (based on 2-digit HS code).
- Selection of potential items of India's exports to the member countries, based on low share of India in the CLMV countries' import basket of major commodity categories, keeping in view India's global export capability. This would entail identification of potential export items under each product category, up to 6-digit HS Commodity Code.

Based on the above criteria, potential items of exports to CLMV countries are summarized below.

EXPORT POTENTIAL IN CLMV COUNTRIES

Cambodia

India and Cambodia have maintained strong trade ties over the years with total trade between the two nations seen at US$ 120 million in 2012.

As can be seen from **Table 6.1**, India has achieved a respectable share in only a few commodities out of the major import categories of Cambodia. For instance, India's share in Cambodia's imports of pharmaceuticals was seen

Table 6.1: Cambodia's Major Import Items and India's Share, 2012

HS Code	Commodities	Cambodia's Global Imports (US$ mn)	Cambodia's Imports from India (US$ mn)	India's share in Cambodia's Imports (%)	India's Global Exports (US$ mn)
	All Products	**11110.3**	**110.1**	**0.9**	**289564.8**
60	Knitted or crocheted fabric	1439.2	1.9	0.1	209.4
27	Mineral fuels, oils, distillation products, etc	1298.1	-	-	54380.9
84	Machinery and instruments	940.6	2.5	0.3	11070.1
87	Vehicles other than railway, tramway	854.5	5.7	0.7	12199.6
85	Electrical, electronic equipment	631.4	0.8	0.1	10762.5
52	Cotton	517.1	23.4	4.5	8568.9
17	Sugars and sugar confectionery	345.9	0.2	0.1	2185.2
22	Beverages, spirits and vinegar	322.8	-	-	353.5
24	Tobacco and manufactured tobacco substitutes	292.0	0.7	0.2	923.2
39	Plastics and articles	221.7	2.9	1.3	4936.2
61	Articles of apparel, accessories, knit or crochet	207.3	-	-	5466.3
55	**Manmade staple fibres**	**199.5**	**10.8**	**5.4**	**1996.8**
73	Articles of iron or steel	177.3	1.9	1.0	7677.7
40	Rubber and articles	171.7	1.9	1.1	2741.6
48	Paper and paperboard	166.2	0.9	0.5	930.4
30	**Pharmaceutical products**	**158.6**	**26.5**	**16.7**	**9602.4**
71	Pearls, precious stones, metals, coins	156.8	-	-	43089.7
58	Special woven or tufted fabric, lace, tapestry etc	153.6	0.2	0.1	258.3
25	Salt, sulphur, lime and cement	142.2	-	-	1727.2
54	Manmade filaments	133.7	0.8	0.6	2260.9
63	Other made textile articles, sets, worn clothing etc	115.8	1.1	0.9	3973.0
33	Essential oils, perfumes, cosmetics,	110.4	0.4	0.3	1479.3
21	Miscellaneous edible preparations	109.8	-	-	504.2
41	**Raw hides and skins and leather**	**106.4**	**5.3**	**5.0**	**1073.7**
96	Miscellaneous manufactured articles	103.7	0.6	0.5	435.5
19	Cereal, flour, starch, milk preparations and products	103.4	-	-	397.1
72	Iron and steel	101.9	0.1	-	7699.8

-negligible / nil
Note: Potential items identified based on Cambodia's imports of more than US$ 100 million
Source: Trade Map, ITC and Exim Bank India Analysis

at 16.7 percent, manmade staple fibres at 5.4 percent and raw hides and leather at 5 percent. India's share in the other major import items of Cambodia continues to remain marginal. This however essentially highlights the potential for enhancing such exports to Cambodia.

Based on the above criterion, potential items of exports to Cambodia at the 2-digit HS Code Classification would include the following items:

- Knitted or crocheted fabric (HS-60)
- Machinery and Instruments (HS-84)
- Vehicles other than Railway, Tramway (HS-87)
- Electrical, Electronic Equipment (HS-85)
- Sugar and sugar confectionery (HS-17)
- Plastics and articles (HS-39)
- Other made textile articles, sets, worn clothing (HS-63)
- Articles of Iron or Steel (HS-73)
- Rubber and articles (HS-40)
- Pearls, precious stones, metals, coins (HS-71)
- Manmade filaments (HS-54)
- Iron and Steel (HS-72)

Potential items of export from India to Cambodia up to 6-digit HS Code Classification under major import categories of Cambodia are briefly highlighted below:

Knitted or Crocheted Fabric (HS-60)

In 2012, China was the primary source of imports of knitted or crocheted fabric for Cambodia, accounting for 45 percent of Cambodia's total imports of the commodity. Other main sources of imports were Hong Kong (19.6 percent), Chinese Taipei (16.6 percent), South Korea (11.2 percent) and Malaysia (3.7 percent). India's share was marginal at 0.1 percent. Therefore, potential exports from India of the commodity identified at 6-digit HS Code Classification are given in **Table 6.2**.

Table 6.2: India's Potential Exports of Knitted or crocheted fabric (HS-60) to Cambodia, 2012

HS code	Commodities	Cambodia's Global Imports (US$ mn)	Cambodia's Imports from India (US$ mn)	India's share in Cambodia's Imports (%)	India's Global Exports (US$ mn)
600621	Unbleached or bleached cotton fabrics, knitted or crocheted, of a widt	22.0	-	0.1	81.7

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Machinery and Instruments (HS-84)

Main sources of imports of machinery and instruments for Cambodia in 2012 included China (32.1 percent), Thailand (31.1 percent), Singapore (12 percent), Japan (4.8 percent) and South Korea (3.5 percent). Potential items for India's exports at 6-digit HS Code Classification are given in **Table 6.3.**

Table 6.3: India's Potential Exports of Machinery and Instruments (HS-84) to Cambodia, 2012

HS code	Commodities	Cambodia's Global Imports (US$ mn)	Cambodia's Imports from India (US$ mn)	India's share in Cambodia's Imports (%)	India's Global Exports (US$ mn)
840890	Engines, diesel	50.3	-	-	377.4
847330	Parts & accessories of automatic data processing machines & units thereof	19.4	-	-	164.1
841370	Centrifugal pumps	11.3	-	0.1	186.2
848180	Taps, cocks, valves and similar appliances	10.2	-	0.4	684.0
840991	Parts for spark-ignition type engines	8.2	-	-	223.8
847989	Machines & mechanical appliances having individual functions	7.4	-	-	203.0
843149	Parts of cranes, work-trucks, shovels, and other construction machinery	5.7	-	-	267.0

-negligible / nil

Source: Trade Map, ITC and Exim Bank India Analysis

Vehicles other than Railway, Tramway (HS-87)

Main sources of imports in 2012 were Thailand (28.3 percent), USA (18.8 percent), South Korea (14.4 percent), China (9.8 percent) and Japan (6.6 percent). Potential for India's exports of the commodity at 6-digit HS Code Classification are given in **Table 6.4.**

Table 6.4: India's Potential Exports of Vehicles other than Railway, Tramway (HS-87) to Cambodia, 2012

HS code	Commodities	Cambodia's Global Imports (US$ mn)	Cambodia's Imports from India (US$ mn)	India's share in Cambodia's Imports (%)	India's Global Exports (US$ mn)
870323	Automobiles with reciprocating piston engine displacing > 1500 cc to 3000 cc	92.3	-	-	363.1
870899	Motor vehicle parts	45.5	-	-	2528.3
871120	Motorcycles with reciprocating piston engine displacing > 50 cc to 250 cc	29.9	1.3	4.3	1284.8
870410	Dump trucks designed for off-highway use	12.1	-	-	711.0

-negligible/ nil
Source: Trade Map, ITC and Exim Bank India Analysis

Electrical, Electronic Equipment (HS-85)

Main sources of imports of electrical, electronic equipment by Cambodia in 2012 include China (43.5 percent), Thailand (22.6 percent), Singapore (12.4 percent), Hong Kong (10.3 percent) and Japan (3.2 percent). Potential items of India's exports under 6-digit HS Code Classification are given in **Table 6.5.**

Table 6.5: India's Potential Exports of Electrical, Electronic Equipment (HS-85) to Cambodia, 2012

HS code	Commodities	Cambodia's Global Imports (US$ mn)	Cambodia's Imports from India (US$ mn)	India's share in Cambodia's Imports (%)	India's Global Exports (US$ mn)
851712	Telephones for cellular networks mobile telephones or for other wireless	94.2	-	-	2849.6
851762	Machines for the reception, conversion and transmission or regeneration	30.1	-	-	95.9
853720	Boards, panels, including numerical control panels, for a voltage > 1,000 V	16.3	-	-	94.1
850440	Static converters	15.1	-	-	390.8
850300	Parts of electric motors, generators, generating sets & rotary converters	13.5	-	-	279.0
853710	Boards, panels, including numerical control panels, for a voltage <=1000 V	10.8	-	-	179.5
850423	Liquid dielectric transfer having a power handling capacity exceeding 10,000 KVA	10.1	-	-	130.1
851770	Parts of telephone sets, telephones for cellular networks or for other	4.4	-	-	590.3

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Sugar and sugar confectionery (HS-17)

In 2012, Thailand accounted for 97.2 percent of total imports of sugar and sugar confectionery by Cambodia. India was the 6th largest source, accounting for a marginal 0.1 percent of total imports. Potential exports from India at 6-digit HS Code Classification are given in **Table 6.6.**

Table 6.6: India's Potential Exports of Sugar and sugar confectionery (HS-17) to Cambodia, 2012

HS code	Commodities	Cambodia's Global Imports (US$ mn)	Cambodia's Imports from India (US$ mn)	India's share in Cambodia's Imports (%)	India's Global Exports (US$ mn)
170199	Refined sugar, in solid form	189.3	-	-	980.2
170490	Sugar confectionery (including white chocolate),not containing cocoa	12.3	0.2	1.3	53.6

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Plastics and articles (HS-39)

The main sources of import of plastics and articles thereof for Cambodia in 2012 included Thailand (42.2 percent), China (16.8 percent) and Hong Kong (15.4 percent). India was the 8th largest source of imports, with a low share of 1.3 percent. Potential exports from India of the commodity at 6-digit HS Code Classification are given in **Table 6.7.**

Table 6.7: India's Potential Exports of Plastics and articles (HS-39) to Cambodia, 2012

HS code	Commodities	Cambodia's Global Imports (US$ mn)	Cambodia's Imports from India (US$ mn)	India's share in Cambodia's Imports (%)	India's Global Exports (US$ mn)
392690	Articles of plastics or of other materials	46.1	1.9	4.2	409.9
392329	Sacks and bags (including cones) of plastics	12.5	-	0.4	239.7
390210	Polypropylene	8.0	0.4	5.3	853.4
390120	Polyethylene having a specific gravity of 0.94 or more	6.2	-	-	227.4
392190	Film and sheet etc of plastics	5.1	-	-	211.2
390760	Polyethylene terephthalate	5.1	-	-	356.1

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Other made textile articles, sets, worn clothing (HS-63)

In 2012, Cambodia sourced 50.2 percent of its total imports of other made textile articles, sets, worn clothing from South Korea. Other sources of imports of the commodity included Japan (8.6 percent), Thailand (8.4 percent), China and Indonesia (7.7 percent each). India had a marginal share of 0.9 percent. Potential items of India's exports under 6-digit HS Code Classification are listed in **Table 6.8.**

Table 6.8: India's Potential Exports of Other made textile articles, sets, worn clothing (HS-63) to Cambodia, 2012

HS code	Commodities	Cambodia's Global Imports (US$ mn)	Cambodia's Imports from India (US$ mn)	India's share in Cambodia's Imports (%)	India's Global Exports (US$ mn)
630900	Worn clothing and other worn articles	81.1	1.0	1.2	64.6
630532	Flexible intermediate bulk containers, man-made mater	18.0	-	-	268.5

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Articles of Iron or Steel (HS-73)

China and Thailand, together accounting for 86.1 percent of total imports of articles of iron or steel, were the primary suppliers of the commodity to Cambodia in 2012. Other suppliers include Chinese Taipei and Japan (2.7 percent each), South Korea (2.2 percent) and Malaysia (1.6 percent). Potential exports from India at 6-digit HS Code classification are identified in **Table 6.9.**

Table 6.9: India's Potential Exports of Articles of Iron or Steel (HS-73) to Cambodia, 2012

HS code	Commodities	Cambodia's Global Imports (US$ mn)	Cambodia's Imports from India (US$ mn)	India's share in Cambodia's Imports (%)	India's Global Exports (US$ mn)
730890	Structures & parts of structures (ex prefab buildings of heading no.9406)	50.3	-	0.1	394.2
732690	Articles, iron or steel	25.3	-	-	490.0
731100	Containers for compressed or liquefied gas of iron or steel	8.5	-	-	140.2
730820	Towers and lattice masts, iron or steel	7.9	-	-	285.4
731815	Bolts o screws, with o without their nuts o washers, iron or steel	6.7	-	-	254.4
730840	Props & similar equipment for scaffolding, shuttering/ pit-propping	6.0	-	-	112.1

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Rubber and articles (HS-40)

Thailand and China with a combined share of 76.5 percent of total imports of rubber and articles were the primary sources of imports of rubber and articles for Cambodia in 2012. India was the 9th largest source, with a share of 1.1 percent. Potential items of India's exports under 6-digit HS Code Classification are listed in **able 6.10**.

Pearls, precious stones, metals, coins (HS-71)

Thailand has been the largest source of Cambodia's imports of pearls, precious stones, coins in 2012, accounting for 70.8 percent of total imports of the commodity. Though the commodity forms the top commodity of India's global exports, India's share in Cambodia's import of the commodity is negligible. India's potential exports to Cambodia identified at 6-digit HS Code Classification is given in **Table 6.11.**

Table 6.10: India's Potential Exports of Rubber and articles (HS-40) to Cambodia, 2012

HS code	Commodities	Cambodia's Global Imports (US$ mn)	Cambodia's Imports from India (US$ mn)	India's share in Cambodia's Imports (%)	India's Global Exports (US$ mn)
401120	Pneumatic tires new of rubber for buses or lorries	51.8	1.4	2.7	663.8
401110	Pneumatic tire new of rubber for motor car including station wagons & racing cars	26.5	-	-	119.9

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Table 6.11: India's Potential Exports of Pearls, precious stones, metals, coins (HS-71) to Cambodia, 2012

HS code	Commodities	Cambodia's Global Imports (US$ mn)	Cambodia's Imports from India (US$ mn)	India's share in Cambodia's Imports (%)	India's Global Exports (US$ mn)
710239	Diamonds non-industrial excluding mounted or set diamonds	26.9	-	-	20819.5
711319	Articles of jewelry &parts thereof of/o precious metal	3.5	-	-	17276.7
711311	Articles of jewelry &parts thereof of silver w/n plated/ clad w/o precious met	2.5	-	-	923.9

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Manmade filaments (HS-54)

In 2012, China was the primary source of Cambodia's imports of manmade filaments (41.1 percent of total imports of manmade filaments), followed by Chinese Taipei (33.6 percent), Hong Kong (9.2 percent), South Korea (6 percent) and Thailand (5.7 percent). Potential exports from India of manmade filament identified at 6-digit HS Code Classification are given in **Table 6.12.**

Table 6.12: India's Potential Exports of Manmade Filaments (HS-54) to Cambodia, 2012

HS code	Commodities	Cambodia's Global Imports (US$ mn)	Cambodia's Imports from India (US$ mn)	India's share in Cambodia's Imports (%)	India's Global Exports (US$ mn)
540752	Woven fabrics,>/=85% of textured polyester filaments, dyed	31.9	-	-	110.9
540772	Woven fabrics,>/=85% of synthetic filaments, dyed	4.6	0.2	5.1	104.1

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Iron and Steel (HS-72)

China and Thailand were the primary sources of imports of iron and steel for Cambodia in 2012, together accounting for 77.8 percent of Cambodia's total imports of iron and steel in 2012. Potential for India's exports at 6-digit Code of Classification are given in **Table 6.13.**

Table 6.13: India's Potential Exports of Iron and Steel (HS-72) to Cambodia, 2012

HS code	Commodities	Cambodia's Global Imports (US$ mn)	Cambodia's Imports from India (US$ mn)	India's share in Cambodia's Imports (%)	India's Global Exports (US$ mn)
721049	Flat rolled product, plated or coated with zinc,>/=600mm wide	21.3	-	-	807.8
721070	Flat rolled product, painted, varnished or plastic coated,>/=600mm wide	16.5	-	-	171.9
720918	Cold rolled iron/steel, coils >600mm x <0.5mm	8.2	-	-	134.4

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Lao PDR

India's bilateral trade with Lao PDR has risen significantly over the years from US$ 0.7 million in 2003 to US$ 171 million in 2012. However, as can be observed from **Table 6.14,** India's share in global imports of Lao PDR remains negligible, with the exception of meat and edible meat offal. This essentially highlights the potential for enhancing India's exports to Lao PDR.

Potential items of India's export to Lao PDR at 2-digit HS Code Classification would include the following categories of exports:

- Mineral fuels, oils and distillation product (HS- 27)
- Vehicles other than Railway, Tramway (HS-87)

Table 6.14: Lao PDR's Major Import Items and India's Share, 2012

HS code	Commodities	Lao PDR's Global Imports (US$ mn)	Lao PDR's Imports from India (US$ mn)	India's share in Lao PDR's Imports (%)	India's Global Exports (US$ mn)
	All products	**5360.8**	**27.3**	**0.5**	**289564.8**
27	Mineral fuels, oils, distillation products, etc	948.8	-	-	54380.9
87	Vehicles other than railway, tramway	913.1	5.2	0.6	12199.6
84	Machinery and instruments	864.3	0.3	-	11070.1
85	Electrical, electronic equipment	336.4	0.2	0.1	10762.5
73	Articles of iron or steel	180.1	1.1	0.6	7677.7
88	Aircraft, spacecraft, and parts thereof	173.8	-	-	1776.3
02	**Meat and edible meat offal**	**167.9**	**10.3**	**6.1**	**3147.5**
72	Iron and steel	166.1	-	-	7699.8
22	Beverages, spirits and vinegar	113.4	-	-	353.5

-negligible / nil
Note: Potential items identified based on Lao PDR's imports of more than US$ 100 million
Source: Trade Map, ITC and Exim Bank India Analysis

- Machinery and Instruments (HS-84)
- Electrical, Electronic Equipment (HS- 85)
- Articles of Iron or Steel (HS-73)
- Aircraft, spacecraft and parts thereof (HS-88)
- Iron and Steel (HS-72)
- Beverages, spirits and vinegar (HS- 22)

Potential items of export from India to Lao PDR up to 6-digit HS Code Classification under major import categories of Lao PDR are briefly highlighted below:

Mineral fuels, oils and distillation product (HS- 27)

In 2012, Thailand was the primary source of imports for Lao PDR, accounting for 99 percent of Lao PDR's total imports of mineral fuels, oils and distillation product in 2012. Though mineral fuels, oils and distillation products was a top component in India's global exports basket in 2012, however, India's share in Lao PDR's imports were negligible. Therefore, potential commodities of India's exports identified at 6-digit HS Code Classification are listed in **Table 6.15**.

Table 6.15: India's Potential Exports of Mineral fuels, oils and distillation product (HS- 27) to Lao PDR, 2012

HS code	Commodities	Lap PDR's Global Imports (US$ mn)	Lap PDR's Imports from India (US$ mn)	India's share in Lap PDR's Imports (%)	India's Global Exports (US$ mn)
271019	Other petroleum oils and preparations	648.1	-	-	30189.1

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Vehicles other than Railway, Tramway (HS-87)

Thailand (56.6 percent), South Korea (16.2 percent) and China (14.9 percent) were the largest source of imports of vehicles other than railway, tramway for Lao PDR in 2012. Though India was the 6th largest source of imports for Lao PDR in 2012, India's share was marginal at 0.6 percent. Potential items of India's exports identified at 6-digit HS Code Classification are given in **Table 6.16.**

Table 6.16: India's Potential Exports of Vehicles other than Railway, Tramway (HS-87) to Lao PDR, 2012

HS code	Commodities	Lao PDR's Global Imports (US$ mn)	Lao PDR's Imports from India (US$ mn)	India's share in Lao PDR's Imports (%)	India's Global Exports (US$ mn)
870421	Diesel powered trucks with a GVW not exceeding five tonnes	198.1	-	-	325.6
870323	Automobiles w reciprocating piston engine displacing > 1500 cc to 3000 cc	69.7	-	-	363.1
871120	Motorcycles with reciprocating piston engine displacing > 50 cc to 250 cc	53.8	0.1	0.2	1284.8
870190	Wheeled tractors	39.2	-	-	784.8
870210	Diesel powered buses with a seating capacity of > nine persons	36.7	-	-	231.7
870410	Dump trucks designed for off-highway use	36.2	-	-	711.0
870322	Automobiles w reciprocating piston engine displacing > 1000 cc to 1500 cc	32.5	0.9	2.9	2634.2
870899	Motor vehicle parts	28.5	-	-	2528.3
870422	Diesel powered trucks	25.3	-	-	175.3

-negligible / nil

Source: Trade Map, ITC and Exim Bank India Analysis

Machinery and Instruments (HS-84)

In 2012, Thailand (56.7 percent) and China (27.3 percent) were the primary sources of imports of machinery and instruments for Lao PDR. Though machinery and instruments form a top export item for India, however India's share in Lao PDR's imports was negligible. Therefore potential items which India can export to Lao PDR, identified at 6-digit HS Code Classification are given in **Table 6.17.**

Table 6.17: India's Potential Exports of Machinery and Instruments (HS-84) to Lao PDR, 2012

HS code	Commodities	Lao PDR's Global Imports (US$ mn)	Lao PDR's Imports fromIndia (US$ mn)	India's share in Lao PDR's Imports (%)	India's Global Exports (US$ mn)
840890	Engines, diesel	23.1	-	-	377.4
847150	Digital processing units not sold as complete systems	13.3	-	-	127.1
843143	Parts of boring or sinking machinery, whether or not self-propelled	12.6	-	-	203.1
841989	Machinery, plant/laboratory	9.4	-	-	153.3
843149	Parts of cranes, work-trucks, shovels, and other construction machinery	9.0	-	-	267.0
840290	Parts of steam or vapour generating boilers	8.6	-	-	105.5
848180	Taps, cocks, valves and similar appliances	8.0	-	-	684.0
847490	Parts of sorting/screening/mixing/crushing/ grinding/washing/agglomerating mach etc	7.6	-	-	133.7
841391	Parts of pumps for liquid whether or not fitted with a measuring device	7.3	-	-	194.3

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Electrical, Electronic Equipment (HS- 85)

China and Thailand were the key suppliers of electrical, electronic equipment for Lao PDR in 2012, accounting for 89.1 percent of its total import of the commodity in 2012. Though electrical, electronic components form a major component in India's exports basket, however India's share in Lao PDR's imports is marginal at 0.1 percent. India's potential exports identified at 6-digit HS Code Classification are given in **Table 6.18.**

Table 6.18: India's Potential Exports of Electrical, Electronic Equipment (HS- 85) to Lao PDR, 2012

HS code	Commodities	Lao PDR's Global Imports (US$ mn)	Lao PDR's Imports from India (US$ mn)	India's share in Lao PDR's Imports (%)	India's Global Exports (US$ mn)
852990	Parts suitable for use solely	29.1	-	-	111.3
851712	Telephones for cellular networks mobile telephones or for other wireless	21.5	-	-	2849.6
853710	Boards, panels, including numerical control panels, for a voltage <=1000 V	17.1	-	-	179.5
854460	Electric conductors, for a voltage exceeding 1,000 V	14.2	-	-	179.4
850300	Parts of electric motors, generators, generating sets & rotary converters	8.3	-	0.2	279.0
853720	Boards, panels, including numerical control panels, for a voltage > 1,000 V	6.8	-	-	94.1
854430	Ignition wiring sets & other wiring sets used in vehicles, aircraft etc	5.3	-	-	113.8
850421	Liquid dielectric transformers having a power handling capacity </= 650 KVA	5.2	-	-	109.1
850440	Static converters	5.1	-	-	390.8

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Articles of Iron or Steel (HS-73)

In 2012, Thailand (49.9 percent) and China (47.2 percent) were the primary sources of imports of articles of iron or steel for Lao PDR, together accounting for 97.1 percent of Lao PDR's total imports of the commodity in 2012. Although India was the 3rd largest supplier of the commodity, India's share in Lao PDR's total imports was marginal at 0.6 percent. Therefore, potential exports of India identified at 6-digit HS Code Classification are given in **Table 6.19.**

Table 6.19: India's Potential Exports of Articles of Iron or Steel (HS-73) to Lao PDR, 2012

HS code	Commodities	Lao PDR's Global Imports (US$ mn)	Lao PDR's Imports from India (US$ mn)	India's share in Lao PDR's Imports (%)	India's Global Exports (US$ mn)
730890	Structures &parts of structures,	56.7	-	-	394.2
732599	Articles of iron or steel, cast	14.2	-	-	889.2
732690	Articles, iron or steel	11.6	-	-	490.0
730820	Towers and lattice masts, iron or steel	11.5	1.0	8.5	285.4
730630	Tubes, pipe & hollow profiles, iron or welded, of circular cross sect	9.3	-	-	91.0
730840	Props &similar equipment for scaffolding, shuttering/pit-propping	7.5	-	-	112.1

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Aircraft, spacecraft and parts thereof (HS-88)

In 2012, Germany (66 percent), China (18.4 percent) and France (12.9 percent) were the key suppliers of aircraft, spacecraft and parts to Lao PDR. Potential exports of the commodity from India, identified at 6-digit HS code classification are given is **Table 6.20.**

Iron and Steel (HS- 72)

Thailand and China were the primary sources of imports of iron and steel for Lao PDR in 2012, together accounting for 99.2 percent of Lao PDR's imports. India's share was negligible. Therefore, potential items of exports from India identified at 6-digit HS Code Classification are listed in **Table 6.21.**

Beverages, Spirits and Vinegar (HS-22)

In 2012, Singapore (78.2 percent) and Thailand (15.9 percent) were the largest source of imports of beverages, spirits and vinegar for Lao PDR, together accounting for 94.1 percent of the total imports of the commodity by Lao PDR. Potential exports from India identified at 6-digit HS Code Classification are listed in **Table 6.22.**

Table 6.20: India's Potential Exports of Aircraft, spacecraft and parts thereof (HS-88) to Lao PDR, 2012

HS code	Commodities	Lao PDR's Global Imports (US$ mn)	Lao PDR's Imports from India (US$ mn)	India's share in Lao PDR's Imports (%)	India's Global Exports (US$ mn)
880330	Aircraft parts	4.5	-	-	1323.7
880390	Parts of balloons, dirigibles, and spacecraft	3.0	-	-	377.8

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Table 6.21: India's Potential Exports of Iron and Steel (HS- 72) to Lao PDR, 2012

HS code	Commodities	Lao PDR's Global Imports (US$ mn)	Lao PDR's Imports from India (US$ mn)	India's share in Lao PDR's Imports (%)	India's Global Exports (US$ mn)
721070	Flat rolled product, painted, varnished or plastic coated,>/=600mm wide	8.5	-	-	171.9
721041	Flat rolled product, plaited or coated w zinc, corrugated,>/=600m wide	6.9	-	-	352.8
721061	Flat rolled, coated alum-zinc alloy, w >600mm	4.8	-	-	118.5

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Table 6.22: India's Potential Exports of Beverages, Spirits and Vinegar (HS-22) to Lao PDR, 2012

HS code	Commodities	Lao PDR's Global Imports (US$ mn)	Lao PDR's Imports from India (US$ mn)	India's share in Lao PDR's Imports (%)	India's Global Exports (US$ mn)
220830	Whiskies	19.2	-	-	112.9

-negligible / nil

Source: Trade Map, ITC and Exim Bank India Analysis

Myanmar

Trade relations between India and Myanmar have witnessed a steady growth in recent years, with India's trade having risen from US$ 437 million in 2003 to close to US$ 2 billion in 2012, more than four-fold increase. India however maintains a trade deficit with Myanmar, owing to its higher imports.

Table 6.23 presents Myanmar's major import items in 2012, in terms of 2-digit HS code, and India's share in Myanmar's global imports of these items. As can be seen from the table, India has achieved a respectable share in only few products out of the major import categories of Myanmar. For instance, India accounts for a sizable share in Myanmar's imports of pharmaceutical products (accounting for a share of 37.3 percent), essential oils, perfumes, and cosmetics (6.6 percent), rubber and articles (6.2 percent), articles of iron or steel (5.6 percent), cotton (5.6 percent), and iron and steel (5.5 percent). India's share in the other major import items of Myanmar continues to remain marginal. This essentially highlights the potential for enhancing such exports to Myanmar.

Based on the above criteria, potential items of export to Myanmar would include the following categories of exports:

- Vehicles other than Railway and Tramway (HS-87)
- Machinery and Instruments (HS-84)
- Mineral fuels, oils and distillation products (HS-27)
- Electrical, Electronic Equipment (HS-85)
- Animal, vegetable fats and oils (HS-15)
- Plastics and articles (HS-39)
- Manmade staple fibres (HS-55)
- Ships, boats and other floating structures (HS-89)
- Salt, sulphur, lime and cement (HS-25)
- Optical, technical and medical apparatus (HS-90)
- Paper and paperboard (HS-48)
- Manmade filaments (HS-54)
- Organic chemicals (HS-29)
- Furniture, lighting, signs, prefabricated buildings (HS-94)
- Footwear, gaiters and parts (HS-64)

While India's overall exports to Myanmar have depicted a pickup in recent years, an analysis of the share of India's major exports to Myanmar vis-a-vis Myanmar's global imports of these items would reveal the tremendous scope to further enhance India's exports to Myanmar. Potential items of export from India to Myanmar up to 6-digit HS Code

Table 6.23: Myanmar's Major Import Items and India's Share, 2012

HS code	Commodities	Myanmar's Global Imports (US$ mn)	Myanmar's Imports from India (US$ mn)	India's share in Myanmar's Imports (%)	India's Global Exports (US$ mn)
	All products	15464.9	526.9	3.4	289564.8
87	Vehicles other than railway, tramway	2088.4	19.5	0.9	12199.6
84	Machinery and instruments	1869.9	66.5	3.6	11070.1
73	**Articles of iron or steel**	**1638.3**	**91.9**	**5.6**	**7677.7**
27	Mineral fuels, oils, distillation products, etc	1328.5	1.9	0.1	54380.9
85	Electrical, electronic equipment	1210.4	44.6	3.7	10762.5
72	**Iron and steel**	**681.6**	**37.5**	**5.5**	**7699.8**
15	Animal, vegetable fats and oils	555.3	-	-	955.9
39	Plastics and articles	454.0	4.2	0.9	4936.2
55	Manmade staple fibres	319.4	0.4	0.1	1996.8
89	Ships, boats and other floating structures	302.1	-	-	4124.6
30	**Pharmaceutical products**	**279.3**	**104.3**	**37.3**	**9602.4**
52	**Cotton**	**254.8**	**14.3**	**5.6**	**8568.9**
40	**Rubber and articles**	**220.8**	**13.8**	**6.2**	**2741.6**
25	Salt, sulphur, lime and	186.5	0.4	0.2	1727.2
90	Optical, photo, technical, medical, etc apparatus	180.2	3.9	2.2	2029.8
48	Paper and paperboard	170.8	2.0	1.2	930.4
54	Manmade filaments	170.8	0.1	0.1	2260.9
29	Organic chemicals	143.2	2.7	1.9	12549.7
94	Furniture, lighting, signs, prefabricated buildings	118.4	0.2	0.2	1010.2
64	Footwear, gaiters and the like, parts	110.0	-	-	1958.3
33	**Essential oils, perfumes, cosmetics, toileteries**	**109.4**	**7.2**	**6.6**	**1479.3**

-negligible / nil

Note: Potential items identified based on Myanmar's imports of more than US$ 100 million

Source: Trade Map, ITC and Exim Bank India Analysis

Classification under major import categories of Myanmar are briefly highlighted below:

Vehicles other than Railway (HS-87)

In 2012, Japan was the largest source of imports of vehicles other than railway, accounting for 49 percent of total imports of the commodity. Other sources of import include China (36.8 percent), Thailand (6.8 percent), Singapore (2.8 percent), South Korea (2.3 percent) and India (0.9 percent). While transport vehicles are among the major exports of India accounting for a share of more than 4 percent of India's global exports, it had a marginal share in Myanmar's import basket. Potential exports from India of the commodity at 6-digit HS Code Classification are given in **Table 6.24.**

Table 6.24: India's Potential Exports of Vehicles other than Railway (HS-87) to Myanmar, 2012

HS code	Commodities	Myanmar's Global Imports (US$ mn)	Myanmar's Imports from India (US$ mn)	India's share in Myanmar's Imports (%)	India's Global Exports (US$ mn)
871120	Motorcycles with reciprocating piston engine displacing > 50 cc to 250 cc	342.4	-	-	1284.8
870323	Automobiles w reciprocating piston engine displacing > 1500 cc to 3000 cc	259.3	0.04	-	363.1
870322	Automobiles w reciprocating piston engine displacing > 1000 cc to 1500 cc	190.0	-	-	2634.2
870410	Dump trucks designed for off-highway use	177.4	3.1	1.8	711.0
870421	Diesel powered trucks with a GVW not exceeding five tonnes	101.3	0.3	0.2	325.6
870210	Diesel powered buses with a seating capacity of > nine persons	75.2	-	-	231.7
870899	Motor vehicle parts	35.1	1.0	2.9	2528.3
870321	Automobiles w reciprocating piston engine displacing not more than 1000 cc	20.0	-	-	1135.0

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Machinery and Instruments (HS-84)

China, Thailand and Singapore are the primary suppliers of machinery and instruments to Myanmar in 2012, with a combined share of 75.8 percent of Myanmar's total imports of the commodity. India was the 6th largest supplier with a share of 3.6 percent of Myanmar's import of the commodity. India also has a huge capability in exports of machinery and instruments, which account for a share of close to 4 percent of the country's total exports. Potential exports from India at 6-digit HS Code Classification are listed in **Table 6.25**.

Table 6.25: India's Potential Exports of Machinery and Instruments (HS-84) to Myanmar, 2012

HS code	Commodities	Myanmar's Global Imports (US$ mn)	Myanmar's Imports from India (US$ mn)	India's share in Myanmar's Imports (%)	India's Global Exports (US$ mn)
840890	Engines and diesel	81.3	0.003	-	377.4
840999	Parts for diesel and semi-diesel engines	76.4	0.3	0.4	483.3
843143	Parts of boring or sinking machinery, whether or not self-propelled	45.5	0.1	0.2	203.1
848180	Taps, cocks, valves and similar appliances	33.8	0.4	1.1	684.0
843149	Parts of cranes, work-trucks, shovels, and other construction machinery	27.1	0.1	0.4	267.0
841480	Air or gas compressors, hoods	19.8	0.02	0.1	368.0
847330	Parts & accessories of automatic data processing machines & units thereof	14.5	0.05	0.3	164.1
840991	Parts for spark-ignition type engines	13.9	0.02	0.2	223.8
843041	Boring or sinking machinery, self-propelled	13.5	-	-	159.8
842199	Parts for filtering or purifying machinery & apparatus for liquids or gases	10.1	0.05	0.5	111.3
847990	Parts of machines & mechanical appliances having individual functions	10.0	0.3	2.6	160.9

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Mineral fuels, oils and distillation products (HS-27)

Thailand (35.4 percent), Singapore (26.8 percent), Colombia and China (14.4 percent each) are the key suppliers of petroleum products to Myanmar in 2012, which forms the 4th largest item in Myanmar's import basket. On the other hand, petroleum products are India's largest export item accounting for a share of 19 percent of the India's global exports. Potential exports from India of the commodity at 6-digit HS Code Classification are identified in **Table 6.26.**

Table 6.26: India's Potential Exports of Mineral fuels, oils and distillation products (HS-27) to Myanmar, 2012

HS code	Commodities	Myanmar's Global Imports (US$ mn)	Myanmar's Imports from India (US$ mn)	India's share in Myanmar's Imports (%)	India's Global Exports (US$ mn)
271019	Other petroleum oils and preparations	638.8	1.8	0.3	30189.1
271011	Light petroleum oils and preparations	89.6	-	-	22147.8

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Electrical, Electronic Equipment (HS-85)

China was the key source for imports of electrical, electronic equipment, accounting for 55.3 percent of Myanmar's imports of the commodity, followed by Singapore (15 percent), Thailand (13.1 percent), India (3.7 percent), Hungary (2.2 percent) and South Korea (2.1 percent). Potential exports from India of the commodity at 6-digit HS Code Classification are listed in T**able 6.27.**

Table 6.27: India's Potential Exports of Electrical and Electronic Equipment (HS-85) to Myanmar, 2012

HS code	Commodities	Myanmar's Global Imports (US$ mn)	Myanmar's Imports from India (US$ mn)	India's share in Myanmar's Imports (%)	India's Global Exports (US$ mn)
851712	Telephones for cellular networks mobile telephones or for other wireless	208.8	-	-	2849.6
854140	Photosensitive semiconductor device, photovoltaic cells & light emit diodes	23.5	0.03	0.1	111.8
850440	Static converters	18.5	0.7	3.9	390.8
850300	Parts of electric motors, generators, generating sets & rotary converters	17.7	0.1	0.6	279.0
850423	Liquid dielectric transformers having a power handling capacity exceeding 10,000 KVA	17.6	-	-	130.1
852990	Parts suitable f use solely with the appliances	12.4	-	-	111.3
852871	Reception apparatus for television, whether or not incorporating radio	10.9	-	-	164.0
851770	Parts of telephone sets, telephones for cellular networks	9.0	0.1	1.3	590.3

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Animal, vegetable fats and oils (HS - 15)

In 2012, Malaysia was the key supplier of animal, vegetable fats and oils to Myanmar, accounting for 64.3 percent of Myanmar's import of the commodity, followed by Indonesia (20.5 percent) and Thailand (14.7 percent). India's share in Myanmar's imports has however been negligible. Potential exports from India of the commodity at 6-digit HS Code Classification are listed in **Table 6.28.**

Table 6.28: India's Potential Exports of Animal, vegetable fats and oils (HS - 15) to Myanmar, 2012

HS code	Commodities	Myanmar's Global Imports (US$ mn)	Myanmar's Imports from India (US$ mn)	India's share in Myanmar's Imports (%)	India's Global Exports (US$ mn)
151620	Vegetable fats &oils & fractions hydrogenated, inter/re-esterified	10.9	-	-	63.5
151800	Animal/vegetable fats & oils	3.9	-	-	16.1
151790	Edible mix/prep of animal/ vegetable fats & oils/of fractions	3.2	-	-	7.7

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Plastics and articles (HS - 39)

China and Thailand accounted for 46.1 percent of Myanmar's imports of the commodity. In the case of plastics and plastic articles, India's global exports amount to more than ten-fold the imports of the item by Myanmar. However India has a marginal share in Myanmar's imports of the item. This would highlight the huge potential for increased exports of the items from India, as given in **Table 6.29.**

Table 6.29: India's Potential Exports of Plastics and articles (HS - 39) to Myanmar, 2012

HS code	Commodities	Myanmar's Global Imports (US$ mn)	Myanmar's Imports from India (US$ mn)	India's share in Myanmar's Imports (%)	India's Global Exports (US$ mn)
390210	Polypropylene	72.2	0.02	-	853.4
390120	Polyethylene having a specific gravity of 0.94 or more	31.3	-	-	227.4
392190	Film and sheet etc of plastics	25.6	0.5	2.1	211.2
392690	Articles of plastics or of other materials of Nos 39.01 to 39.14	22.8	1.3	5.8	409.9
392020	Film and sheet etc, non-cellular etc, of polymers of propylene	14.2	-	-	210.5
390760	Polyethylene terephthalate	14.1	-	-	356.1
391810	Floor, wall and ceiling coverings etc, of polymers of vinyl chloride	11.1	-	-	113.0

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Manmade staple fibres (HS - 55)

China was the primary source of imports of manmade staple fibres (81.1 percent of total imports of the commodity). Other sources of imports were Thailand (8.1 percent), Japan (4.3 percent) and South Korea (2.2 percent). India's share in Myanmar's imports was marginal. Potential exports from India at 6-digit HS Code Classification are given in **Table 6.30**.

Table 6.30: India's Potential Exports of Manmade staple fibres (HS - 55) to Myanmar, 2012

HS code	Commodities	Myanmar's Global Imports (US$ mn)	Myanmar's Imports from India (US$ mn)	India's share in Myanmar's Imports (%)	India's Global Exports (US$ mn)
551219	Woven fabrics, containing>/=85% of polyester staple fibres	119.9	0.07	0.1	55.6
551513	Woven fabric of polyester staple fibres mixed w/wool/fine animal hair	12.0	-	-	55.5
550932	Yarn,>/=85% acrylic/ modacrylic staple fibres, multiple,not put up	10.3	-	-	22.0

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Ships, boats and other floating structures (HS - 89)

China was the key source of imports of ships, boats and other floating structures by Myanmar in 2012, accounting for 99.1 percent of Myanmar's total imports of the commodity. There also exists huge potential for exports of ships, boats and other floating structures from India to Myanmar, based on analysis of the import demand in Myanmar, and India's export capability. Potential exports from India at 6-digit HS Code Classification are given in **Table 6.31**.

Table 6.31: India's Potential Exports of Ships, boats and other floating structures (HS - 89) to Myanmar, 2012

HS code	Commodities	Myanmar's Global Imports (US$ mn)	Myanmar's Imports from India (US$ mn)	India's share in Myanmar's Imports (%)	India's Global Exports (US$ mn)
890690	Vessels, incl. lifeboats (excl. warships, rowing boats and other vessels	137.2	-	-	227.1
890520	Floating or submersible drilling or production platforms	63.7	-	-	622.0
890590	Floating docks and vessels which perform special functions	20.5	-	-	1617.3
890400	Tugs and pusher craft	10.8	-	-	968.0
890190	Cargo vessels & other vessels for the transport of both persons & goods	9.5	-	-	342.7

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Salt, sulphur, lime and cement (HS-25)

Thailand accounted for the bulk of imports of salt, sulphur and cement for Myanmar in 2012, accounting for 89.2 percent of Myanmar's imports. India was the 5th largest source, accounting for a marginal 0.2 percent. Potential exports from India at 6-digit HS Code Classification are identified in **Table 6.32.**

Table 6.32: India's Potential Exports of salt, sulphur, lime and cement (HS-25) to Myanmar, 2012

HS code	Commodities	Myanmar's Global Imports (US$ mn)	Myanmar's Imports from India (US$ mn)	India's share in Myanmar's Imports (%)	India's Global Exports (US$ mn)
252329	Portland cement	171.3	0.4	0.2	107.6
252310	Cement clinkers	3.5	-	-	46.6
250100	Salt (including table salt & denatured salt) pure sodium chloride & sea water	1.9	-	-	99.5
250810	Bentonite	1.4	0.001	0.1	53.5

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Optical, photo, technical, medical, etc apparatus (HS - 90)

China was the largest source of imports in 2012 for Myanmar, accounting for 23.2 percent of Myanmar's total imports of the commodity, followed by Singapore (17.8 percent), Thailand (16 percent) and Hong Kong (15 percent). India was the 9th largest source, with a share of 2.2 percent of Myanmar's imports.

Potential exports from India, identified at 6-digit HS Code Classification are given in **Table 6.33.**

Table 6.33: India's Potential Exports of Optical, photo, technical, medical apparatus (HS - 90) to Myanmar, 2012

HS code	Commodities	Myanmar's Global Imports (US$ mn)	Myanmar's Imports from India (US$ mn)	India's share in Myanmar's Imports (%)	India's Global Exports (US$ mn)
903289	Automatic regulating or controlling instruments and apparatus	14.0	0.03	0.2	62.7
901890	Instruments and appliances used in medical or veterinary sciences	10.7	0.2	1.7	142.4
903180	Measuring or checking instruments, appliances and machines	6.6	0.01	0.2	57.0
902890	Parts & accessories for gas, liquid/electricity supply/production meters	5.3	0.03	0.5	41.3
902214	X-rays apparatus, medical/surgical/veterinary use	4.8	0.1	2.0	107.9
903300	Parts & accessories for machines, appliances, inst or app of Chapter 90	4.4	0.04	0.9	220.6
901580	Surveying, hydrographic, oceanographic, meteorological /geophysical instruments	4.1	-	-	30.5
902830	Electricity supply, production and calibrating meters	4.0	0.02	0.5	85.6

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Paper and paperboard (HS - 48)

In 2012, Indonesia was the primary source for imports of paper and paper boards by Myanmar, accounting for 30.2 percent of Myanmar's total import of the commodity, followed by Singapore (22.7 percent), China (16.8 percent), South Korea (11.2 percent) and Thailand (9 percent). India was the 8th largest source with a low share of 1.2 percent. Potential exports from India at 6-digit HS Code Classification are identified in **Table 6.34.**

Manmade filaments (HS - 54)

China (39.8 percent), South Korea (27.3 percent), Thailand (14.5 percent) and Japan (11.8 percent) were the primary sources of import of manmade filaments for Myanmar in 2012. Potential exports from India identified at 6-digit HS Code Classification are given in **Table 6.35.**

Organic chemicals (HS - 29)

China and Thailand, together accounting for 82.4 percent of Myanmar's total imports of organic chemicals, were the key suppliers of the commodity in 2012. India was the 5th largest source, with a share of 1.9 percent of Myanmar's total imports. Potential exports from India identified at 6-digit HS Code Classification are listed in **Table 6.36.**

Table 6.34: India's Potential Exports of Paper and paperboard, (HS - 48) to Myanmar, 2012

HS code	Commodities	Myanmar's Global Imports (US$ mn)	Myanmar's Imports from India (US$ mn)	India's share in Myanmar's Imports (%)	India's Global Exports (US$ mn)
480257	Uncoated paper and paperboard, of a kind used for writing, or printing	23.4	0.8	3.2	78.2
481920	Cartons, boxes and cases, folding, of non-corrugated paper or paperboard	14.8	0.02	0.1	27.9
481019	Paper and paperboard used for writing, printing or other graphic purpose	10.5	0.2	1.5	29.1

Source: Trade Map, ITC and Exim Bank India Analysis

Table 6.35: India's Potential Exports of Manmade filaments (HS - 54) to Myanmar, 2012

HS code	Commodities	Myan-mar's Global Imports (US$ mn)	Myan-mar's Imports from India (US$ mn)	India's share in Myanmar's Imports (%)	India's Global Exports (US$ mn)
540752	Woven fabrics,>/=85% of textured polyester filaments, dyed	32.2	0.1	0.3	110.9
540710	Woven fabric of high tenacity yarns of nylon other poly-amides/polyesters	7.3	-	-	501.9
540772	Woven fabrics,>/=85% of synthetic filaments, dyed	4.8	-	-	104.1

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Table 6.36: India's Potential Exports of Organic chemicals (HS - 29) to Myanmar, 2012

HS code	Commodities	Myan-mar's Global Imports (US$ mn)	Myanmar's Imports from India (US$ mn)	India's share in Myanmar's Imports (%)	India's Global Exports (US$ mn)
293690	Vitamin concentrates; intermixtures of vitamins of provitamins	3.4	0.1	3.7	20.8
293629	Vitamins, and their derivatives, unmixed	1.9	0.01	0.5	63.0

Source: Trade Map, ITC and Exim Bank India Analysis

Furniture, lighting, signs, prefabricated buildings (HS - 94)

China (79.3 percent) and Thailand (10.7 percent) were the key sources for imports of furniture, lighting, signs and prefabricated buildings for Myanmar in 2012. India's share was marginal at 0.2 percent. Potential exports from India at 6-digit HS Code Classification are given in **Table 6.37.**

Footwear, gaiters and parts (HS - 64)

In 2012, China (47.6 percent), Thailand (34.8 percent) and South Korea (14.2 percent), together accounted for 96.6 percent of Myanmar's total imports of footwear, gaiters. Potential items of exports from India identified at 6-digit HS Code Classification is given in **Table 6.38.**

Table 6.37: India's Potential Exports of Furniture, lighting, signs, prefabricated buildings (HS - 94) to Myanmar, 2012

HS code	Commodities	Myanmar's Global Imports (US$ mn)	Myanmar's Imports from India (US$ mn)	India's share in Myanmar's Imports (%)	India's Global Exports (US$ mn)
940360	Furniture, wooden	38.6	-	-	379.0
940600	Prefabricated buildings	8.7	0.02	0.2	30.8
940320	Furniture, metal	6.7	0.02	0.3	26.7
940490	Articles of bedding/furnishing, stuffed or internally fitted	4.6	-	-	180.5
940540	Electric lamps and lighting fittings	4.5	0.2	3.3	28.3
940510	Chandeliers & other electric ceiling or wall lighting fittings	4.2	-	-	47.6

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Table 6.38: India's Potential Exports of Footwear, gaiters and parts (HS - 64) to Myanmar, 2012

HS code	Commodities	Myanmar's Global Imports (US$ mn)	Myanmar's Imports from India (US$ mn)	India's share in Myanmar's Imports (%)	India's Global Exports (US$ mn)
640299	Footwear, outer soles/uppers of rubber or plastics	39.0	0.002	-	39.7
640411	Sports footwear w outer soles of rubber of plastics	12.0	-	-	63.3

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Vietnam

India's trade with Vietnam is export led. As mentioned in the earlier chapter, India's exports to Vietnam in 2012 amounted to US$ 3.7 billion, rising significantly from US$ 379 million in 2003. However, as can be seen from **Table 6.39**, India's share in Vietnam's global imports is low at 2.9 percent. Apart from India's relatively high share in Vietnam's global imports of cotton (5.7 percent), fish, crustaceans and aquatic invertebrates (20.3 percent), residues, wastes of food industry, animal fodder (12.6 percent), meat and edible meat offal (45.1 percent), pharmaceutical products (9 percent), oilseeds, oleagic fruits etc (28.5 percent), raw hides, skins and leather (5.5 percent), and cereals (28.4 percent), India's share in other major imports of Vietnam like machinery and instruments; electrical, electronic equipment; iron and steel; plastics and articles on the other hand remain low.

Based on the above criterion, potential items for India's exports to Vietnam can, therefore, be identified as:

- Electrical, Electronic Equipment (HS-85)
- Machinery and Instruments (HS-84)
- Mineral fuels, oils and distillation products (HS-27)
- Iron and Steel (HS-72)
- Plastics and articles (HS-39)
- Articles of apparel, accessories, knit or crochet (HS-61)
- Edible fruit, nuts (HS-08)
- Vehicles other than Railway, Tramway (HS-87)
- Optical, photo, technical, medical, etc apparatus (HS-90)
- Organic chemicals (HS-29)
- Articles of Iron or Steel (HS-73)
- Manmade filaments (HS-54)
- Manmade staple fibres (HS-55)
- Aluminium and articles (HS-76)
- Paper and paperboard (HS-48)
- Rubber and articles (HS-40)
- Aircraft, spacecraft, and parts thereof (HS-88)
- Miscellaneous chemical products (HS-38)
- Copper and articles thereof (HS-74)

Potential items of export from India to Vietnam up to 6-digit HS Code Classification under major import categories of Vietnam are briefly highlighted below:

Table 6.39: Vietnam's Major Import Items and India's Share, 2012

HS code	Commodities	Vietnam's Global Imports (US$ mn)	Vietnam's Imports from India (US$ mn)	India's share in Vietnam's Imports (%)	India's Global Exports (US$ mn)
	All products	**124125.9**	**3658.2**	**2.9**	**289564.8**
85	Electrical, electronic equipment	20914.0	43.6	0.2	10762.5
84	Machinery and instruments	13599.4	76.4	0.6	11070.1
27	Mineral fuels, oils, distillation products, etc	9907.8	19.8	0.2	54380.9
72	Iron and steel	6498.3	87.4	1.3	7699.8
39	Plastics and articles	6068.7	109.7	1.8	4936.2
61	Articles of apparel, accessories, knit or crochet	3781.9	0.2	-	5466.3
60	Knitted or crocheted fabric	3090.4	2.4	0.1	209.4
08	Edible fruit, nuts	3010.7	5.9	0.2	1389.6
87	Vehicles other than railway, tramway	2860.5	45.2	1.6	12199.6
52	**Cotton**	**2763.2**	**156.7**	**5.7**	**8568.9**
90	Optical, photo, technical, medical, etc apparatus	2581.9	8.8	0.3	2029.8
03	**Fish, crustaceans and aquatic invertebrates**	**2351.6**	**477.8**	**20.3**	**3282.1**
29	Organic chemicals	2206.7	76.6	3.5	12549.7
73	Articles of iron or steel	2147.7	8.3	0.4	7677.7
54	Manmade filaments	2107.7	21.3	1.0	2260.9
23	**Residues, wastes of food industry, animal fodder**	**2027.7**	**255.2**	**12.6**	**2638.6**
02	**Meat and edible meat offal**	**1835.4**	**828.1**	**45.1**	**3147.5**
55	Manmade staple fibres	1636.2	29.8	1.8	1996.8
76	Aluminium and articles	1571.9	39.7	2.5	1579.5
48	Paper and paperboard	1548.6	17.7	1.1	930.4
30	**Pharmaceutical products**	**1491.2**	**133.9**	**9.0**	**9602.4**
40	Rubber and articles	1435.2	46.1	3.2	2741.6
88	Aircraft, spacecraft, and parts thereof	1417.3	-	-	1776.3
12	**Oil seed, oleagic fruits etc**	**1410.1**	**402.2**	**28.5**	**1797.7**
38	Miscellaneous chemical products	1406.8	50.9	3.6	2700.7
41	**Raw hides, skins and leather**	**1152.9**	**63.8**	**5.5**	**1073.7**
10	**Cereals**	**1151.6**	**327.1**	**28.4**	**8729.1**
74	Copper and articles thereof	1130.2	15.0	1.3	2824.6
59	Impregnated, coated or laminated textile fabric	1057.9	0.7	0.1	181.4
31	Fertilizers	1005.5	8.8	0.9	94.1

-negligible / nil

Note: Potential items identified based on Vietnams's imports of more than US$ 1 billion

Source: Trade Map, ITC and Exim Bank India Analysis

Electrical, Electronic Equipment (HS-85)

China (28.8 percent), South Korea (26 percent) and Japan (10.9 percent) were the three primary sources of Vietnam's imports of electrical, electronic equipment, together accounting for 65.7 percent of Vietnam's total imports of the commodity. India's share in Vietnam's import was marginal. However, potential exports from India at 6-digit HS Code Classification are given in **Table 6.40.**

Table 6.40: India's Potential Exports of Electrical, Electronic Equipment (HS-85) to Vietnam, 2012

HS code	Commodities	Viet-nam's Global Imports (US$ mn)	Vietnam's Imports from India (US$ mn)	India's share in Viet-nam's Imports (%)	India's Global Exports (US$ mn)
851770	Parts of telephone sets, telephones for cellular networks or for other	2446.1	3.4	0.1	590.3
853400	Printed circuits	90-	-	-	130.2
853890	Parts for use with the apparatus	723.9	5.9	0.8	308.6
851712	Telephones for cellular networks mobile telephones or for other wireless	587.3	3.1	0.5	2849.6
852990	Parts suitable for use solely	404.8	0.5	0.1	111.3
853690	Electrical app for switching/ protecting electrical circuits, not exceeding 1,000 V	402.2	0.2	0.1	165.3
850440	Static converters	351.3	0.7	0.2	390.8
850300	Parts of electric motors, generators ,generating sets & rotary converters	321.9	1.6	0.5	279.0
853710	Boards, panels, including numerical control panels, for a voltage <=1000 V	273.2	1.8	0.6	179.5
854140	Photosensitive semiconductor device, photovoltaic cells& light emit diodes	189.3	-	-	111.8
852871	Reception apparatus for television, whether or not incorporating radio	141.6	-	-	164.0

850490	Parts of electrical transformers, static converters and inductors	107.3	1.6	1.5	155.1
850423	Liquid dielectric transfer having a power handling capacity exceeding 10,000 KVA	63.1	1.2	1.8	130.1
850110	Electric motors of an output not exceeding 37.5 W	57.0	-	-	114.8
854430	Ignition wiring sets& other wiring sets used in vehicles, aircraft etc	56.1	-	0.1	113.8

-negligible / nil

Source: Trade Map, ITC and Exim Bank India Analysis

Machinery and Instruments (HS-84)

Machinery and instruments were the second largest import of Vietnam in 2012, primarily sourced from China (30.1 percent), Japan (16.4 percent), South Korea (9.1 percent), Singapore (8.4 percent) and Thailand (6.4 percent). Potential exports from India identified at 6-digit HS Code Classification are given in **Table 6.41.**

Table 6.41: India's Potential Exports of Machinery and Instruments (HS-84) to Vietnam, 2012

HS code	Commodities	Vietnam's Global Imports (US$ mn)	Vietnam's Imports from India (US$ mn)	India's share in Viet-nam's Imports (%)	India's Global Exports (US$ mn)
847989	Machines & mechanical appliances having individual functions	688.1	5.3	0.8	203.0
847330	Parts &accessories of automatic data processing machines &units thereof	448.2	0.1	-	164.1
843143	Parts of boring or sinking machinery, whether or not self-propelled	281.9	1.1	0.4	203.1
847990	Parts of machines & mechanical appliances having individual functions	260.9	2.8	1.1	160.9
840290	Parts of steam or vapour generating boilers	249.3	0.4	0.2	105.5
848180	Taps, cocks, valves and similar appliances	232.2	4.7	2.0	684.0
840991	Parts for spark-ignition type engines	225.7	0.5	0.2	223.8
840999	Parts for diesel and semi-diesel engines	139.2	0.3	0.2	483.3
841480	Air or gas compressors, hoods	117.1	0.1	0.1	368.0
841370	Centrifugal pumps	113.5	0.9	0.8	186.2
848190	Parts of taps, cocks, valves or similar appliances	92.4	0.1	0.1	257.6

840890	Engines, diesel	91.2	0.1	0.2	377.4
841989	Machinery, plant/laboratory equip f treat of mat by change of temp	89.3	0.5	0.5	153.3
843149	Parts of cranes, work-trucks, shovels, and other construction machinery	83.3	0.3	0.3	267.0
842199	Parts for filtering or purifying machinery & apparatus for liquids or gases	74.8	0.5	0.7	111.3
847490	Pts of sorting/screening/ mixing/crushing/grinding/ washing/agglomerating mach etc	67.2	1.2	1.7	133.7
848310	Transmission shafts and cranks, including cam shafts and crank shafts	61.1	0.1	0.1	178.8
847150	Digital processing units not sold as complete systems	54.3	-	-	127.1
841490	Parts of vacuum pumps, compressors, fans, blowers, hoods	52.9	1.1	2.1	176.5
841391	Parts of pumps for liquid whether or not fitted with a measuring device	40.4	0.2	0.5	194.3
848790	Parts of machinery of chapter 84, not intended for a specific purpose,	37.0	-	-	138.9
848299	Bearing parts	35.7	-	-	117.1
843041	Boring or sinking machinery, self propelled	14.8	0.1	0.9	159.8

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Mineral fuels, Oils and Distillation Products (HS-27)

Singapore, China, Taiwan and South Korea, together accounted for 85.2 percent of Vietnam's imports of mineral fuels, oils and distillation products in 2012. India's share in Vietnam's imports was marginal at 0.2 percent, even though the commodity forms top export for India. Therefore, potential items of India's exports of the commodity identified at 6-digit HS Code Classification are listed in **Table 6.42.**

Table 6.42: India's Potential Exports of Mineral fuels, oils and distillation products (HS-27) to Vietnam, 2012

HS code	Commodities	Vietnam's Global Imports (US$ mn)	Vietnam's Imports from India (US$ mn)	India's share in Vietnam's Imports (%)	India's Global Exports (US$ mn)
271019	Other petroleum oils and preparations	5405.0	7.7	0.1	30189.1
271011	Light petroleum oils and preparations	653.0	0.1	-	22147.8
270119	Coal, whether or not pulverised but not agglomerated	35.0	-	-	101.6
271119	Petroleum gases and other gaseous hydrocarbons liquefied	11.7	-	-	172.9
270799	Oil &other products of the distillation of high temp coal tar etc	8.5	-	-	795.5

-negligible / nill
Source: Trade Map, ITC and Exim Bank India Analysis

Iron and Steel (HS-72)

In 2012, China and Japan together accounted for 50.6 percent of Vietnam's total import of iron and steel. India's share in Vietnam's imports was low at 1.3 percent. Potential exports from India identified at 6-digit HS Code Classification are given in **Table 6.43.**

Table 6.43: India's Potential Exports of Iron and Steel (HS-72) to Vietnam, 2012

HS code	Commodities	Vietnam's Global Imports (US$ mn)	Vietnam's Imports from India (US$ mn)	India's share in Vietnam's Imports (%)	India's Global Exports (US$ mn)
720839	Hot roll iron/steel coil >600mm x <3mm	1101.0	18.3	1.7	212.9
722530	Flat rolled product, as, output stainless, in coils, w>/=600mm	517.8	-	-	75.7
721913	Flat rolled product, stainless steel, in coil, w>/=600mm,3</=thick<4.75mm	327.6	5.8	1.8	81.8
721049	Flat rolled product, plated or coated with zinc,>/=600mm wide	203.3	0.7	0.3	807.9
720838	Hot roll iron/steel coil >600mm x 3-4.75mm	192.0	1.5	0.8	102.3
720851	Hot roll iron/steel, not coil >600mm x >10mm	148.7	1.9	1.3	159.0
721070	Flat rolled product, painted, varnished or plastic coated,>/=600mm wide	143.8	-	-	171.9
720837	Hot roll iron/steel coil >600mm x 4.75-10mm	116.3	-	-	95.7
721933	Flat rolled prod, stainless steel, 600mm wide, 1mm <thick <3mm	63.6	0.1	0.1	79.7
722100	Bars & rods, stainless steel, hot rolled in irregularly wound coils	57.0	3.2	5.6	93.5
720836	Hot roll iron/steel coil >600mm x >10mm	42.5	-	-	132.8

-negligible / nil

Source: Trade Map, ITC and Exim Bank India Analysis

Plastics and Articles (HS-39)

In 2012, the main sources of imports of plastics and articles were South Korea (19.5 percent), China (14.7 percent), Taiwan (14.2 percent), Singapore (11 percent), Japan and Thailand (10.8 percent). India's share was low at 1.8 percent. Potential exports from India at 6-digit HS Code Classification are given in **Table 6.44.**

Table 6.44: India's Potential Exports of Plastics and Articles (HS-39) to Vietnam, 2012

HS code	Commodities	Vietnam's Global Imports (US$ mn)	Vietnam's Imports from India (US$ mn)	India's share in Vietnam's Imports (%)	India's Global Exports (US$ mn)
392690	Articles of plastics or of other materi-als	443.4	2.1	0.5	409.9
390120	Polyethylene having a specific gravity of 0.94 or more	375.4	22.6	6.0	227.4
390760	Polyethylene terephthalate	212.3	-	-	356.1
392190	Film and sheet etc of plastics	138.5	2.0	1.5	211.2
390319	Polystyrene	132.2	-	-	99.0
392020	Film and sheet etc, non-cellular etc, of polymers of propylene	129.0	0.5	0.4	210.5
392099	Film and sheet etc, non-cellular etc, of plastics	84.5	-	-	114.0
392062	Film and sheet etc, non-cellular etc, of polyethylene terephthalates	51.2	0.9	1.8	195.2
392329	Sacks and bags (including cones) of plastics	44.5	1.3	3.0	239.7
392321	Sacks and bags (including cones) of polymers of ethylene	41.8	-	0.1	91.6
392390	Articles for the conveyance or pack-ing of goods of plastics	40.6	0.1	0.3	85.1
391810	Floor, wall and ceiling coverings etc, of polymers of vinyl chloride	19.6	0.1	0.4	113.0
392410	Tableware and kitchenware of plastics	10.2	0.1	0.8	117.0

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Articles of apparel, accessories, knit or crochet (HS-61)

In 2012, China was the primary source of imports of articles of apparel, accessories, knit or crochets accounting for 97.6 percent of total imports of the product. **Table 6.45** gives a list of potential exports from India to Vietnam of the product at 6-digit HS Code Classification.

Table 6.45: India's Potential Exports of Articles of apparel, accessories, knit or crochet (HS-61) to Vietnam, 2012

HS code	Commodities	Vietnam's Global Imports (US$ mn)	Vietnam's Imports from India (US$ mn)	India's share in Vietnam's Imports (%)	India's Global Exports (US$ mn)
610462	Womens/girls trousers and shorts, of cotton, knitted	395.2	-	-	104.3
610443	Womens/girls dresses, of synthetic fibres, knitted	321.4	-	-	60.5
610442	Womens/girls dresses, of cotton, knitted	317.9	-	-	105.4
610711	Mens/boys underpants and briefs, of cotton, knitted	126.3	-	-	165.0
610821	Womens/girls briefs and panties, of cotton, knitted	29.5	-	-	148.8
610910	T-shirts, singlets and other vests, of cotton, knitted	10.4	0.1	0.6	1649.0
610510	Mens/boys shirts, of cotton, knitted	3.2	0.1	1.7	305.4
610990	T-shirts, singlets and other vests, of other textile materials, knitted	3.1	-	0.2	444.9
610590	Mens/boys shirts, of other textile materials, knitted	3.1	-	0.2	69.3

-negligible / nil

Source: Trade Map, ITC and Exim Bank India Analysis

Edible Fruits, Nuts (HS-08)

In 2012, Ghana was the source of 44.5 percent of Vietnam's edible fruits and nuts, followed by Hong Kong (20 percent), China (14.8 percent), Thailand (10.3 percent) and USA (6.9 percent). India was the 10th largest supplier with a marginal share of 0.2 percent. India's potential exports of the commodity identified at 6-digit HS Code Classification are given in **Table 6.46.**

Table 6.46: India's Potential Exports of Edible Fruits, Nuts (HS-08) to Vietnam, 2012

HS code	Commodities	Vietnam's Global Imports (US$ mn)	Vietnam's Imports from India (US$ mn)	India's share in Vietnam's Imports (%)	India's Global Exports (US$ mn)
080610	Grapes, fresh	95.0	0.9	1.0	131.3
080450	Guavas, mangoes and mangos teens, fresh or dried	51.1	0.2	0.3	166.9

Source: Trade Map, ITC and Exim Bank India Analysis

Vehicles other than Tramway, Railway (HS-87)

In 2012, China, South Korea, Thailand and Japan, together accounting for 64.9 percent of Vietnam's imports of vehicles other than tramway, railway, were the primary sources of imports of the commodity. India's share was low at 1.6 percent. Hence potential exports from India at 6-digit HS Code Classification are given in **Table 6.47**.

Table 6.47: India's Potential Exports of Vehicles other than Tramway, Railway (HS-87) to Vietnam, 2012

HS code	Commodities	Vietnam's Global Imports (US$ mn)	Vietnam's Imports from India (US$ mn)	India's share in Vietnam's Imports (%)	India's Global Exports (US$ mn)
870899	Motor vehicle parts	461.1	1.4	0.3	2528.3
870421	Diesel powered trucks with a GVW not exceeding five tonnes	185.1	-	-	325.6
870323	Automobiles w reciprocating piston engine displacing > 1500 cc to 3000 cc	175.8	-	-	363.1
870422	Diesel powered trucks	115.4	-	-	175.3
870840	Transmissions for motor vehicles	115.2	-	-	201.8
870210	Diesel powered buses with a seating capacity of > nine persons	73.7	-	-	231.7
871120	Motorcycles with reciprocating piston engine displacing > 50 cc to 250 cc	70.9	0.7	1.0	1284.8
870190	Wheeled tractors	62.3	0.5	0.8	784.8
870830	Brakes and servo-brakes and their parts, for tractors, motor vehicles	36.8	-	-	115.8
870850	Drive axles with differential for motor vehicles	33.7	-	-	129.5
870600	Chassis fitted w engines for the vehicles	24.4	-	-	247.4
871419	Motorcycle parts	22.5	0.2	0.9	125.4
870810	Bumpers and parts for motor vehicles	16.9	0.1	0.6	204.4

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Optical, Photo and Technical Apparatus (HS- 90)

China and Japan, together accounting for 47.7 percent of Vietnam's total imports of optical, photo and technical apparatus were the primary sources of import of the commodity in 2012. Other important sources of imports during the same year include South Korea (9.4 percent), Singapore (8.4 percent), USA (5.9 percent) and Germany (5.3 percent). Potential exports from India of the commodity at 6-digit HS Code Classification are given in **Table 6.48.**

Table 6.48: India's Potential Exports of Optical, Photo and Technical Apparatus (HS- 90) to Vietnam, 2012

HS code	Commodities	Vietnam's Global Imports (US$ mn)	Vietnam's Imports from India (US$ mn)	India's share in Vietnam's Imports (%)	India's Global Exports (US$ mn)
901839	Needles, catheters, cannulae and the like,	44.4	1.4	3.2	140.4
902214	X-rays apparatus, medical/ surgical/veterinary use	22.2	0.1	0.4	107.9
900110	Optical fibres, optical fibre bundles &cables	22.1	-	-	146.4
902830	Electricity supply, production and calibrating meters	8.7	-	0.4	85.6
900150	Spectacle lenses of other materials	6.0	-	0.2	113.6

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Organic chemicals (HS-29)

In 2012, the key sources of imports of organic chemicals for Vietnam were China (28.5 percent), Taiwan (14.7 percent), Thailand (14.7 percent), South Korea (10.6 percent) and Malaysia (7.9 percent). India was the 8th largest source, with a moderate share of 3.5 percent. Potential exports from India at 6-digit HS Code Classification would include the commodities given in **Table 6.49**.

Table 6.49: India's Potential Exports of Organic chemicals (HS-29) to Vietnam, 2012

HS code	Commodities	Vietnam's Global Imports (US$ mn)	Vietnam's Imports from India (US$ mn)	India's share in Vietnam's Imports (%)	India's Global Exports (US$ mn)
291539	Acetic acid esters	41.5	0.7	1.6	102.6
291531	Ethyl acetate	36.8	-	-	146.0
293499	Nucleic acids and their salts, whether or not chemically defined	34.2	0.5	1.5	154.0
293399	Heterocyclic compounds with nitrogen hetero-atom[s] only (excl. those	19.5	0.7	3.7	242.0
290611	Menthol	9.4	0.4	3.8	375.0
290244	Mixed xylene isomers	8.7	-	-	212.6

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Articles of Iron or Steel (HS-73)

China (40.5 percent), South Korea (12.5 percent) and Japan (11.5 percent) were the primary sources of Vietnam's imports of articles of iron or steel in 2012. India's potential exports to Vietnam at 6-digit HS Code Classification are given in **Table 6.50**.

Table 6.50: India's Potential Exports of Articles of Iron or Steel (HS-73) to Vietnam, 2012

HS code	Commodities	Vietnam's Global Imports (US$ mn)	Vietnam's Imports from India (US$ mn)	India's share in Vietnam's Imports (%)	India's Global Exports (US$ mn)
730890	Structures& parts of structures	296.3	0.7	0.2	394.2
732690	Articles, iron or steel	264.5	0.1	-	49-
731815	Bolts o screws, with or without their nuts or washers, iron or steel	101.6	-	-	254.4
731210	Stranded wire, ropes & cables of iron or steel, not electrically insulated	88.5	1.6	1.8	91.8
730419	Line pipe of a kind used for oil or gas pipelines, seamless, of iron o	86.0	-	-	63.1
732399	Table, kitchen or other household art& parts thereof, of iron or steel	83.0	-	-	120.6
731100	Containers for compressed or liquefied gas of iron or steel	64.9	0.8	1.3	140.2
731816	Nuts, iron or steel	46.3	-	-	119.1
732620	Articles of wire, iron or steel	46.1	-	0.1	82.9
730799	Fittings, pipe or tube, iron or steel	35.2	0.3	0.8	67.9
732619	Articles of iron or steel, forged or stamped, but not further worked	32.7	0.3	0.9	443.5
730511	Pipeline, longitudinally arc wld,int/ext cc sect,dia >406.4mm	32.5	-	-	1291.4
730840	Props &similar equipment for scaffolding, shuttering/ pit-propping	24.8	0.1	0.5	112.1
730630	Tubes, pipe & hollow profiles, iron or welded, of circular cross section	22.8	0.8	3.6	91.0
730459	Tube, pipe& hollow profile (o/t stainless)	22.3	-	-	67.1
730490	Tubes, pipe & hollow profiles, iron or steel	20.8	0.1	0.3	102.3
732599	Articles of iron or steel, cast	19.3	0.2	1.2	889.2
730300	Tubes, pipes and hollow profiles of cast iron	17.9	-	-	225.2
730690	Tubes, pipe & hollow profiles, iron or steel, welded	17.8	0.2	1.0	113.0
730423	Drill pipe, seamless, of a kind used in drilling for oil or gas	17.1	-	-	108.2
730619	Line pipe of a kind used for oil or gas pipelines, welded, of flat-rolled	14.3	0.1	0.4	137.5
730791	Flanges, iron or steel	11.7	-	-	216.7
732393	Table, kitchen or other household art &parts thereof, stainless steel	11.7	-	0.2	224.3
732591	Balls, grinding and similar articles of iron or steel, cast for mills	8.4	0.8	9.3	138.8
730820	Towers and lattice masts, iron or steel	5.3	0.1	2.2	285.4

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Manmade filaments (HS-54)

China was the main import source of manmade filaments for Vietnam in 2012. Other import sources of the commodity during the same year were Taiwan (22.8 percent), South Korea (17.8 percent), Japan (9.2 percent) and Thailand (4.7 percent). India's share was low at 1 percent. Therefore, potential exports from India, at 6-digit HS code classification are given in **Table 6.51.**

Table 6.51: India's Potential Exports of Manmade filaments (HS-54) to Vietnam, 2012

HS code	Commodities	Vietnam's Global Imports (US$ mn)	Vietnam's Imports from India (US$ mn)	India's share in Vietnam's Imports (%)	India's Global Exports (US$ mn)
540752	Woven fabrics,>/=85% of textured polyester filaments, dyed	340.6	0.2	0.1	110.9
540233	Textured yarn of polyester filaments, not put up for retail sale	194.8	6.8	3.5	703.5
540246	Filament yarn of polyester, incl. monofilament of < 67 decitex, single	90.7	-	-	275.7
540710	Woven fabric of high tenacity yarns of nylon other polyamides/polyesters	60.6	2.6	4.2	501.9
540772	Woven fabrics,>/=85% of synthetic filaments, dyed,	52.8	0.6	1.1	104.1
540720	Woven fabric obtained from strip/the like of synthetic textile materials	10.2	0.1	0.9	43.3

-negligible / nil

Source: Trade Map, ITC and Exim Bank India Analysis

Manmade staple fibres (HS-55)

China (44.8 percent), Taiwan (17.3 percent) and South Korea (13 percent) were the primary import sources of manmade staple fibres for Vietnam in 2012. India's share was low at 1.8 percent. Potential exports from India at 6-digit HS Code Classification are identified in **Table 6.52.**

Table 6.52: India's Potential Exports of Manmade staple fibres (HS-55) to Vietnam, 2012

HS code	Commodities	Vietnam's Global Imports (US$ mn)	Vietnam's Imports from India (US$ mn)	India's share in Vietnam's Imports (%)	India's Global Exports (US$ mn)
550410	Staple fibres of viscose, not carded or combed	117.6	2.9	2.5	208.1
551512	Woven fabrics of polyester staple fibres mixd w man-made filaments,nes	22.3	0.4	1.7	113.2
550953	Yarn of polyester staple fibres mixed with cotton, not put up	10.8	0.4	4.1	186.4
550330	Staple fibres of acrylic or modacrylic, not carded or combed	10.8	0.4	3.8	10.5
551011	Yarn,>/=85% of artificial staple fibres, single, not put up	4.9	0.1	2.0	108.4

Source: Trade Map, ITC and Exim Bank India Analysis

Aluminium and articles (HS-76)

In 2012, China (47.7 percent), South Korea (17.4 percent) and Taiwan (10.2 percent) were Vietnam's three largest source of imports of aluminium and articles. India was the 7th largest source of imports with a share of 2.5 percent. Potential exports from India identified at 6-digit HS Code Classification are given in **Table 6.53.**

Table 6.53: India's Potential Exports of Aluminium and articles (HS-76) to Vietnam, 2012

HS code	Commodities	Vietnam's Global Imports (US$ mn)	Vietnam's Imports from India (US$ mn)	India's share in Vietnam's Imports (%)	India's Global Exports (US$ mn)
760612	Plate, msheet or strip, aluminium alloy, rectangular or square ,exceeding 0.2mm thick	317.6	3.2	1.0	88.9
760120	Aluminium unwrought, alloyed	255.4	3.0	1.2	116.1
761699	Articles of aluminium	62.2	0.4	0.6	251.5

Source: Trade Map, ITC and Exim Bank India Analysis

Paper and paperboard (HS-48)

In 2012, Vietnam imported paper and paper board from China (16.3 percent of the total imports of the product), Indonesia (15.3 percent), Singapore (13.7 percent), Taiwan (12 percent) and Thailand (11.1 percent). India's share was low at 1.1 percent. Potential exports from India at 6-digit HS Code Classification are given in **Table 6.54.**

Table 6.54: India's Potential Exports of Paper and paperboard (HS-48) to Vietnam, 2012

HS code	Commodities	Vietnam's Global Imports (US$ mn)	Vietnam's Imports from India (US$ mn)	India's share in Vietnam's Imports (%)	India's Global Exports (US$ mn)
482390	Paper and paper articles	48.6	2.7	5.5	182.3
480255	Uncoated paper and paperboard, of a kind used for writing, printing or	28.6	-	0.1	45.3
480257	Uncoated paper and paperboard, of a kind used for writing, printing or	25.2	-	-	78.2
482010	Registers, account books, note books, diaries & similar articles of paper	9.6	-	-	52.7

-negligible / nil

Source: Trade Map, ITC and Exim Bank India Analysis

Rubber and articles (HS-40)

Thailand (25.4 percent), China (16.6 percent) and Japan (14.5 percent) were Vietnam's primary sources of imports of rubber and articles (HS-40) in 2012. India's share in Vietnam's import was moderate at 3.2 percent. Potential exports from India at 6-digit HS Code Classification are given in **Table 6.55**.

Table 6.55: India's Potential Exports of Rubber and articles (HS-40) to Vietnam, 2012

HS code	Commodities	Vietnam's Global Imports (US$ mn)	Vietnam's Imports from India (US$ mn)	India's share in Vietnam's Imports (%)	India's Global Exports (US$ mn)
401699	Articles of vulcanised rubber other than hard rubber	78.8	0.2	0.3	184.6
401110	Pneumatic tire new of rubber for motor car including station wagons &racing cars	61.4	2.7	4.5	119.9
401693	Gaskets, washers and other seals of vulcanised rubber	55.0	0.4	0.8	62.6
400821	Plates, sheets& strip of non cellular rubber, other than hard rubber	29.3	0.3	1.0	52.1

Source: Trade Map, ITC and Exim Bank India Analysis

Aircraft, Spacecraft and Parts thereof (HS-88)

In 2012, Vietnam imported 73.9 percent of its total imports of aircraft, spacecraft and parts thereof from Germany. Singapore (12.5 percent), Greece (3.3 percent), USA (2.4 percent) and Japan (2.2 percent) are the other sources of imports of the commodity. Potential exports from India of the commodity at 6-digit HS Code Classification are given in **Table 6.56.**

Table 6.56: India's Potential Exports of Aircraft, Spacecraft and Parts thereof (HS-88) to Vietnam, 2012

HS code	Commodities	Vietnam's Global Imports (US$ mn)	Vietnam's Imports from India (US$ mn)	India's share in Vietnam's Imports (%)	India's Global Exports (US$ mn)
880330	Aircraft parts	169.2	-	-	1323.7

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

Miscellaneous Chemical Products (HS-38)

China (19.9 percent) was the primary source of imports of miscellaneous chemical products by Vietnam in 2012, followed by Taiwan (11.4 percent), South Korea (11.3 percent), Singapore (10.5 percent) and Japan (9.3 percent). India was the 10th largest source of imports in 2012, with a moderate share of 3.6 percent. However, there is a scope to increase India's exports of the commodity. Potential exports from India identified at 6-digit HS Code Classification are given in **Table 6.57.**

Table 6.57: India's Potential Exports of Miscellaneous Chemical Products (HS-38) to Vietnam, 2012

HS code	Commodities	Vietnam's Global Imports (US$ mn)	Vietnam's Imports from India (US$ mn)	India's share in Vietnam's Imports (%)	India's Global Exports (US$ mn)
382490	Chemical/allied industry preparations/prods	268.1	6.3	2.3	133.8
380892	Fungicides	218.3	3.0	1.4	257.1
380893	Herbicides, anti-sprouting products and plant-growth regulators	122.1	0.8	0.6	221.9

Source: Trade Map, ITC and Exim Bank India Analysis

Copper and articles (HS-74)

In 2012, Chile (19.4 percent), Australia (16.6 percent), Japan (13.2 percent) and Indonesia (12.4 percent) were the primary import sources of copper and articles for Vietnam. India's share was low at 1.3 percent. India's potential exports at 6-digit HS Code Classification are given in **Table 5.58.**

Table 6.58: India's Potential Exports of Copper and articles (HS-74) to Vietnam, 2012

HS code	Commodities	Vietnam's Global Imports (US$ mn)	Vietnam's Imports from India (US$ mn)	India's share in Vietnam's Imports (%)	India's Global Exports (US$ mn)
740311	Copper cathodes and sections of cathodes unwrought	635.0	14.6	2.3	2221.6
741999	Articles of copper	23.3	-	0.2	276.7

-negligible / nil
Source: Trade Map, ITC and Exim Bank India Analysis

7. EXIM BANK INDIA'S ENDEAVOURS TO HARNESS SYNERGIES WITH CLMV COUNTRIES

As the apex financial institution in India financing, promoting and facilitating India's international trade and investments, Export Import Bank of India's (Exim Bank India) vision has evolved from financing, facilitating and promoting trade and investment to a conscious and systematic effort at creating export capabilities. Since Exim Bank India commenced operations in 1982, the developing countries and LDCs have always been a focus area, and thus a critical component of Exim Bank India's strategy to promote and support south-south cooperation, trade and investment. As a partner institution to promote economic development in developing countries and LDCs, the commitment towards building relationships and fostering cooperation among southern countries is reflected in the various activities and programmes which Exim Bank India has set in place. Exim Bank India operates a comprehensive range of financing , advisory and support programmes to promote and facilitate India's trade and investment.

A. Financing Programmes

(i) Lines of Credit

Exim Bank India is the implementing agency for extending Lines of Credit (LOCs) under Governemnt of India's India Development and Economic Assistance Scheme (IDEAS). To promote bilateral and regional commercial relations, Exim Bank India extends LOCs to governments, parastatal organizations, financial institutions, commercial banks and regional development banks to support export of eligible goods on deferred payment terms. As on September 16, 2013, the current operative LOCs covering the CLMV region extended by Exim Bank India, at the behest of Government of India include:

Cambodia: Three LOCs amounting to US$ 65.2 million have been extended to the Government of Cambodia for the following purposes:

- Electricity transmission line
- Water development projects

Lao PDR: Four LOCs amounting to US$ 153.8 million have been extended to the Government of Lao PDR for the following purpose:

- Electricity transmission line
- Irrigation projects
- Hydropower projects

Myanmar: A total of seven LOCs amounting to US$ 247.4 million were extended to Myanma Foreign Trade Bank for a range of projects, including railway infrastructure, manufacturing of vehicles, upgradation of petrochemical complex, telecommunication, refinery assembly plant, hydropower project and transmission lines.

During Indian Prime Minister's visit to Myanmar in May 2012, an MOU for LOCs aggregating to US$ 500 million was signed between Exim Bank India and Myanma Foreign Trade Bank. Under this MOU, 16 ongoing irrigation schemes, 2 irrigation projects, project for procurement of rolling stock, equipment and upgradation of three major railway workshops in Myanmar are covered.

Vietnam: Three LOCs amounting to US$ 91.5 million extended to the Government of Vietnam covering, among others, the following sectors:

- Hydropower projects
- Exports of textile machinery and equipment

(ii) Supporting Project Exports

Exim Bank India extends both funded and non-funded facilities for overseas turnkey projects, civil construction, supplies as well as technical and consultancy service contracts across various sectors of the economy.

As on March 31, 2013, 21 project contracts valued at ₹ 5,918.9 crore supported by the Bank were under execution in the CLMV countries. Out of these, 16 contracts valued at ₹ 1,551.9 crore are under Government of India supported LOCs.

Cambodia

- Stung Tasal Water Resources Development Project and Construction of electric transmission line between Kratie and Stung Treng

Lao PDR

- Development of irrigation schemes in the Champassack Province
- Equipment/ goods/ services for Construction of 230 KV and 115 KV Transmission Line and Associated Sub Station in conformity

Myanmar

- Design & engineering, supply of the equipments and supervision of erection of equipments
- Contract for design, procurement and construction of 205 kms gas pipeline from Kyaukphyu main station in South Myanmar to KP 205 block valve station in central Myanmar
- Bentonite Bore Pile Equipment
- Renovation of Thanbayakan Petrochemical Complex
- Oakshitpin -- Taungup 230 KV Transmission Line and Substation project, as well as Taungup - Maei - Ann - Mann 230 KV Transmission Line and Substation project

Vietnam

- Supply of complete electro-mechanical equipment and technical services for Nam Chien Hydropower Project

(iii) Finance for Joint Ventures

With a view to support Indian companies in their endeavour to globalise their operations, Exim Bank India operates a programme to support overseas investments by Indian companies through JVs/WOS. Such support include loans and guarantees, equity finance and in select cases direct participation in equity along with the Indian promoter, to set up such ventures overseas.

As on March 31, 2013, Exim Bank India has provided finance to 5 Indian companies for setting up ventures in Vietnam, with sanctioned amount of ₹ 129 crore. Companies supported include:

- Vallabhdas Kanji Limited
- Ngon Coffee Company Limited
- Vietnam Abresives Company Limited
- Tufropes Vietnam company Limited
- NGON Coffee Company Limited

B. Working Arrangement with the International Finance Corporation

Exim Bank India has a long standing working relationship with International Finance Corporation (IFC of the World

Bank Group) to facilitate the utilization of Indian consultants/ project facilities promoted and sponsored by IFC to develop private sector SMEs in developing countries. These project facilities span various regions including Europe, Mekong Region, China, South Pacific and CIS countries. The facilities engage consultants for the provision of a variety of technical assistance to entrepreneurs. Under the arrangements, Exim Bank India helps to identify consultants from India who could be considered for assignments under these facilities and meets their professional fees.

The Bank has supported a number of assignments in Vietnam, Cambodia and Lao PDR under Mekong Project Development Facility in areas such as castings, tyre-retreading, tin packaging, wool, tea, shoes, tubes and information technology.

C. Exim Bank India: Experience Sharing

Exim Bank India is well positioned to share its experience and expertise in the fields of capacity creation, institutional strengthening, export development and export capability creation. The Bank is thus well placed to provide a range of technical assistance in these fields. Exim Bank India has rendered consultancy services to a number of institutions in South East Asia region such as:

- Study on Regional Co-operation in Export Finance and Export Credit Guarantees for the Economic and Social Commission for Asia and Pacific (ESCAP) (includes ASEAN countries)
- Designing Export Marketing Seminars for SMEs in Vietnam

D. Institutional Linkages

Exim Bank India has a wide network of alliances with financial institutions and investment promotion agencies, market promotion boards and service providers across the globe for assisting externally oriented Indian companies in their quest for excellence and globalization. In the CLMV region, Exim Bank India has entered into MOU with Investment and Trade Promotion Centre, Vietnam to promote bilateral trade and investments between the two countries.

E. Exim India's Joint Ventures

Exim Bank India has taken the initiative of setting up of Global Procurement Consultants Ltd. (GPCL), in partnership with leading consultancy firms in India, for providing procurement related services to multilateral agencies such as World Bank, Asian Development Bank. GPCL has undertaken a number of assignments in many countries including Vietnam, Lao PDR, Brunei and Myanmar.

F. Forum on Asian Export Credit Agencies

With a view to enhance cooperation and forge a stronger linkage among its member institutions, the first meeting of Asian Export Credit Agencies (ECAs) was held in India in 1996 at the initiative of Exim Bank India , which led to the formation of the Asian ECA Forum. Members comprise ECAs from India, China, Japan, Indonesia, Korea, Malaysia, Thailand, Philippines, Vietnam, Cambodia and Australia.

The objective of Asian ECA Forum is to enhance cooperation and forge stronger linkages among its member institutions, thereby fostering a long-term relationship with the Asian ECA community. The Annual meetings serve as a forum for discussing a wide range of issues focused on fostering common understanding as well as exchanging and sharing information. Together, the endeavor is to meet the challenges faced as an export credit agency in Asia and explore possible areas for further regional cooperation.

G. Research Studies

Exim Bank India carries out research on areas relating to bilateral trade and investment, sector/product/country and regional studies, as also policy issues related to the external sector with a view to enhancing competitiveness of Indian exporters. The published research studies related to CLMV include:

- ASEAN Countries: A Study of India's Trade and Investment Potential
- BIMSTEC Initiative: A Study of India's Trade and Investment Potential with Select Asian Countries
- Enhancing India-Myanmar Trade and Investment Relations: A Brief Analysis

H. Representative Office

Exim Bank India has two representative offices in the ASEAN region - Singapore and Yangon. These offices seek to establish and maintain relationships with multilateral agencies, regional development institutions, trade and investment promotion bodies, international banks, chambers of commerce, government departments and institutions in various South East Asian countries including CLMV countries and identify areas of cooperation. The representative offices play a role in facilitating India's economic cooperation with ASEAN countries (including CLMV), while keeping close coordination with Indian Missions in the region. The offices project Bank's capabilities in financing India's international trade and investment, as also keeps the Bank abreast of the developments in the economic and banking/financial sectors of the South East Asian Region, including CLMV countries.

8. STRATEGIES AND RECOMMENDATIONS FOR ENHANCING BILATERAL COMMERCIAL RELATIONS WITH CLMV COUNTRIES

As highlighted in the previous chapters, countries in the CLMV region have witnessed increased economic activities in recent years, reflected in increased GDP growth as also rise in foreign trade of the countries. The analysis also traced recent trends in India's trade and investment relations with the CLMV region, with a view to identifying potential areas for boosting bilateral trade and investment relations.

The concluding chapter delineates some broad strategies and recommendations which would build upon the analysis and findings of the previous chapters, and thereby serve to enhance two-way trade and investment between India and the CLMV region.

A. Cooperation in the Agriculture and allied Sector

The CLMV countries are primarily agrarian based with agriculture and allied activities forming the backbone as majority of population in the CLMV countries depend on it for their livelihood. The region has the advantage of natural resources, fertile agro-ecosystems, and rich biodiversity. However, agro-industries in this sub-region of the ASEAN region are mostly underdeveloped, leaving significant opportunity for development of agro-based industries.

Towards this end, LOCs extended by Exim Bank India to these countries serve to contribute towards the development of agricultural and related activities in the region. With such LOCs in place, Indian entrepreneurs and experts could increase exports of agri-related machinery and equipment to the region, thus enhancing bilateral cooperation in the agricultural sector, as also the overall development of the region.

B. Natural Resource Development

As the CLMV countries are endowed with mineral wealth and natural resources, India could share its expertise and experience for development/exploration of natural resources in these countries. For instance, Myanmar has abundant mineral and energy resources, as well as large hydro-electric potential. Cambodia has rich reserves of iron-ore, manganese and phosphates. Vietnam has substantial energy and mineral resources. Some of its major resources include phosphates, coal, manganese, rare earth elements, bauxite, chromate, offshore oil and gas deposits, timber, and hydro-power. Similarly, Lao PDR is endowed with a wide range of mineral deposits, the most important of which include tin, lead, gravel, gypsum and salt. There are also small deposits of coal, iron ore, gold, and oil and gas. The most valuable natural resource of Lao PDR are its forests and rivers; the latter have considerable potential for generating hydroelectric power

In light of these, increased cooperation between India and the CLMV countries in developing/exploring mineral resources, with bilateral arrangements such as buy-back arrangements could be an important strategy to enhance commercial relations.

C. Cooperation in Infrastructure Development

An important area of bilateral cooperation could be infrastructure development in the CLMV countries. With an increasing need for better infrastructural facilities, together with the endeavour of the CLMV countries for rapid economic growth, investment in infrastructure development could prove to be a mutually rewarding area of bilateral cooperation. Lack of forward and backward linkages between different modes of transportation, poorly equipped ports, lack of a well developed railway network and inadequate access to all - season roads are some of the key problems which the low-income CLMV countries are beset with. Areas that provide investment opportunities include development of highways and roadways, development of railway networks and power systems, which could help in regional integration to a great extent. Large Indian construction companies could explore business opportunities to meet infrastructural requirements in the CLMV countries, thus contributing largely to economic development in these countries.

D. Cooperation in SME Sector

The SME sector development in the CLMV countries are constrained by a number of factors like lack of accessibility to modern technology, limited access to international markets, lack of management skills and training, and lack of finance. Towards developing entrepreneurship and human capability, India could share its expertise and experience with these countries, particularly in the SME sector wherein India has developed successful SME clusters. An important element in this direction would be for delegations from these countries to visit India to study success factors of SME clusters in India, and developing similar clusters in their countries based on resource and skill endowments. In addition, the CLMV countries could tie up with Indian institutions such as Entreprenuership Development Institute of India (EDPI), Ahmedabad and National Small Industries Cooperation Ltd. (NSIC), New Delhi towards entrepreneurship development and human capability creation. Further, Indian institutions could also share their expertise in the fields of institutional strengthening, export development and export capability creation in the region, in the form of technical assistance and sharing of expertise through site visits. SME financing is another area where Exim Bank India could support this sector. Exim Bank India has extended several LOCs to various countries for the development of their SME sectors.

E. Focus on Multilateral Funded Projects

Besides participating in investment activities that are promoted by the respective governments of the CLMV countries, Indian companies could also endeavor to participate in multilateral funded projects. Multilateral institutions such as the World Bank and Asian Development Bank are active in funding development projects in the CLMV region. They broadly cover areas such as agriculture and allied activities, infrastructure development such as roads, telecommunication, postal services, electricity, water supply and sanitation; mining and quarrying; rural and urban development; environment and natural resource development; healthcare and education; financial market development; and tourism development. At the same time, efforts to participate in technical assistance in terms of project preparation and advisory services in such funded projects would support increased presence in the region. Besides, Indian institutions could co-invest with

Indian companies in select projects, and encourage partnership with local entrepreneurs and local investment agencies.

F. Focus on Information Technology (IT) Development

With many countries in the CLMV region still on the path of modernization and computerization, ICT is another area of cooperation. With the strength and capability that India possess in the realm of IT sector, Indian IT firms could explore opportunities in the CLMV countries, and focus on investing in subsidiaries and joint ventures in the areas of e-governance, financial services and e-education. Indian companies could also share their expertise in providing software programmes and services for banks and financial institutions in the region. Designing specialized e-learning courses on the web for providing technological assistance, manufacturing process know-how, troubleshooting and other technical areas also present opportunities. Such initiatives would help industry and commerce, promote education in remote areas, create employment opportunities and promote healthcare to remote areas in the region, thereby contributing to overall development of nations in the region.

G. Regional Cooperation

Regional cooperation is highly essential for infrastructure development as it has a direct impact on private sector productivity and the attraction on international capital. India strongly supports the Initiative for ASEAN Integration (IAI) through which it has launched human resource development programmes in Cambodia, Lao PDR, Myanmar and Vietnam. India has also offered assistance for a communications network involving highways, railways, river navigation and port facilities.

Mekong-Ganga Cooperation (MCG) brings together Cambodia, Lao PDR, Myanmar, Thailand, Vietnam, India as well as another sub-regional initiative for a road link connecting India, Myanmar and Thailand. India needs to deepen its link with MCG Forum as it provides immense opportunities for India’s private sector to create a niche in the region.

H. Developing Linkages with Investment Promotion Agencies/ Chambers of Commerce

Besides streamlining their investment regimes, many countries in the region have set up specialized investment promotion agencies/Chambers of Commerce to promote and facilitate inflow of foreign investment into these countries, while also serving as one-stop-shop for investment related activities. In light of the key role of these institutions, building closer cooperation and linkages with these investment promotion agencies in the CLMV countries would serve to enhance access to information about investment opportunities in the region. An important element of the strategy to boost bilateral trade and investment relations would be to effectively disseminate relevant information relating to the presence of potential to Indian exporters and investors in India.

Such relationship would serve to enhance knowledge about potential areas of investment, upcoming projects in different sectors, prospective investment partners, as also procedures, rules and regulations required for venturing into specific sectors in these countries and incentives offered to investors. Further, investment promotional events with select investment promotion agencies would foster increased interaction between potential investors and concerned agencies in potential sectors in target countries in the region.

A national level industry association/ trade chamber could be identified which could undertake various trade promoting activities such as organizing Business-to-Government (B2G) and Business-to-Business (B2B) delegation visits relating to identified potential sectors; organizing fairs in the CLMV countries to showcase the competencies of Indian SMEs and to capture market opportunities in these countries.

Besides, an interactive portal hyperlinked with major industry and trade associations and chambers in the CLMV region would be helpful in providing necessary information and advisory services on potential export and investment markets. It could also maintain a readymade database accessible to all the potential investors and exporters in both India and the CLMV region.

Training by way of specialized courses on the web for providing technical assistance and other technical advices in sectors relevant to the CLMV countries can be an important step towards enhancing bilateral trade and investment.

ANNEXURE 1: ASEAN- EVOLUTION, ACHIEVEMENTS AND FUTURE MILESTONES

The Association of South East Asian Nations (ASEAN) was established on August 8, 1967 in Bangkok with the signing of the ASEAN Declaration (Bangkok Declaration) by the Founding fathers of ASEAN, namely Indonesia, Malaysia, Philippines, Singapore and Thailand. Later, Brunei Darussalam, Vietnam, Lao PDR, Myanmar and Cambodia joined ASEAN. Lao PDR and Myanmar were admitted into full membership in July 1997 as ASEAN celebrated its 30th anniversary **(Table 1)**. The organization operates primarily on an economic level, working to find compromises between the interests of each nation and the region as a whole. It also works within the political sphere, attempting to establish the region's solidarity through its unified actions.

The formation of ASEAN was primarily driven by political and security motivations with a view to promoting cooperation in economic, social, cultural, technical, educational and other fields. With its population of about 615.6 million, total area of 4.46 million square kilometers, combined GDP of US$ 2.3 trillion, ASEAN has emerged as a vibrant economic power, and its importance increases with the emergence of Asia as the third pole in the world economy.

Evolution

ASEAN was preceded by the short-lived ASA (Association of Southeast Asia), founded in 1961 by Thailand, Malaysia and the Philippines. These three countries eventually cooperated with Indonesia and Singapore to draft and sign the Bangkok Resolution on August 8, 1967, which established the ASEAN. The ASEAN Charter entered into force on December 15, 2008 and henceforth, ASEAN established its legal identity as an international organization and took a major step in its community-building process.

Table 1: ASEAN Members

Indonesia	Founding Member
Malaysia	Founding Member
Philippines	Founding Member
Singapore	Founding Member
Thailand	Founding Member
Brunei Darussalam	Joined on January 8, 1984
Vietnam	Joined on July 28, 1995
Cambodia	Joined on April 30, 1997
Lao PDR	Joined on July 23, 1997
Myanmar	Joined on July 23, 1997

Source: ASEAN Secretariat

The ASEAN Community is comprised of three pillars, namely ASEAN Political-Security Community, ASEAN Economic Community and ASEAN Socio-Cultural Community. Each pillar has its own Blueprint, and, together with the Initiative for ASEAN Integration (IAI) Strategic Framework and IAI Work Plan Phase II (2009-2015), they form the Roadmap for the ASEAN Community 2009-2015.

Some of the major political accords of ASEAN are as follows:

- ASEAN Declaration, Bangkok, 8 August 1967
- Zone of Peace, Freedom and Neutrality Declaration, Kuala Lumpur, 27 November 1971
- Declaration of ASEAN Concord, Bali, 24 February 1976
- Treaty of Amity and Cooperation in Southeast Asia, Bali, 24 February 1976
- ASEAN Declaration on the South China Sea, Manila, 22 July 1992
- Treaty on the Southeast Asia Nuclear-Weapon-Free Zone, Bangkok, 15 December 1997
- ASEAN Vision 2020, Kuala Lumpur, 15 December 1997
- Declaration on Joint Action to Counter Terrorism, 5 November 2001
- Declaration of ASEAN Concord II, Bali, 7 October 2003
- ASEAN Convention on Counter Terrorism (ACCT), 11 January 2007
- Cebu Declaration on the Acceleration of the Establishment of an ASEAN Community by 2015, 11 January 2007

Objectives of ASEAN

The ASEAN Declaration (Bangkok Declarartion of 1967) sets forth the following objectives:

- To accelerate the economic growth, social progress and cultural development in the region through joint endeavours in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of Southeast Asian Nations

- To promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the region and adherence to the principles of the United Nations Charter
- To promote active collaboration and mutual assistance on matters of common interest in the economic, social, cultural, technical, scientific and administrative fields
- To provide assistance to each other in the form of training and research facilities in the educational, professional, technical and administrative spheres
- To collaborate more effectively for greater utilisation of their agriculture and industries, expansion of their trade, including the study of the problems of international commodity trade, improvement of their transportation and communications facilities and the raising of the living standards of their peoples
- To promote Southeast Asian studies
- To maintain close and beneficial cooperation with existing international and regional organisations with similar aims and purposes, and explore all avenues for even closer cooperation among themselves

Fundamental Principles

In their relations with one another, the ASEAN Member States have adopted the following fundamental principles, as contained in the Treaty of Amity and Cooperation in Southeast Asia (TAC) of 1976:

- Mutual respect for the independence, sovereignty, equality, territorial integrity, and national identity of all nations
- The right of every State to lead its national existence free from external interference, subversion or coercion
- Non-interference in internal affairs of one another
- Settlement of differences or disputes by peaceful manner
- Renunciation of threat or use of force
- Effective cooperation among themselves

ASEAN Political-Security Community

The ASEAN Political-Security Community (APSC) aims to ensure that countries in the region live at peace with one another and with the world in a just, democratic and harmonious environment. It encompasses the following components:

- political development
- shaping and sharing of norms
- conflict prevention
- conflict resolution
- post-conflict peace building
- implementing mechanisms

The APSC Blueprint which was adopted by the ASEAN Leaders at the 14th ASEAN Summit on March 1 2009 in Thailand, envisages ASEAN to be a rules-based Community of shared values and norms; a cohesive, peaceful, stable and resilient region with shared responsibility for comprehensive security; as well as a dynamic and outward-looking region in an increasingly integrated and interdependent world. It also leaves room for flexibility to continue programmes/activities beyond 2015 in order to retain its significance and have an enduring quality.

ASEAN Economic Community

During the 13th ASEAN Summit on November 20, 2007 in Singapore, the ASEAN leaders adopted the ASEAN Economic Blueprint to serve as a coherent master plan guiding the establishment of the ASEAN Economic Community (AEC) 2015.

The ASEAN Economic Community (AEC) shall be the goal of regional economic integration by 2015 and envisages the following key characteristics:

- Single market and production base
- Highly competitive economic region
- Region of equitable economic development
- Region fully integrated into the global economy

The AEC areas of cooperation include human resources development and capacity building; recognition of professional qualifications; closer consultation on macroeconomic and financial policies; trade financing measures; enhanced infrastructure and communications connectivity; development of electronic transactions through e-ASEAN; integrating industries across the region to promote regional sourcing; and enhancing private sector involvement for the building of the AEC. In short, the AEC aims to transform ASEAN into a region with free movement of goods, services, investment, skilled labour, and freer flow of capital.

ASEAN Socio-Cultural Community

The ASEAN Socio-Cultural Community (ASCC) aims to contribute to realising an ASEAN Community that is people-oriented and socially responsible with a view to achieving enduring solidarity and unity among the people and Member States of ASEAN. It seeks to forge a common identity and build a caring and sharing society which is inclusive and where the well-being, livelihood, and welfare of the people are enhanced. ASCC is focused on nurturing human, cultural and natural resources for sustained development in a harmonious and people-oriented ASEAN.

The ASCC Blueprint was adopted by the ASEAN Leaders at the 14th ASEAN Summit on March 1, 2009 in Thailand, and represents the human dimension of ASEAN cooperation and upholds ASEAN commitment to address the region's aspiration to lift the quality of life of its people. The goals of the ASCC are envisaged to be achieved by implementing concrete and productive actions that are people-centred and socially responsible.

Organizational Structure

The highest body of ASEAN is the annual summit (ASEAN Summit, the meeting of the heads of member states or governments). The chairmanship of the ASEAN Summit and Ministerial Conferences rotates annually between member states in alphabetical order. There is also the ASEAN Ministerial Meeting (AMM), an annual meeting of ASEAN Foreign Ministers which is next to the ASEAN Summit in the level of decision-making. Generally a declaration or Joint Communique is produced at the end of the meeting. Ministerial meetings on several other sectors are also held, which include agriculture and forestry, economics, energy, environment, finance, higher education, information, investment, labour, law, rural development and poverty alleviation, science and technology, social welfare, transnational crime, transportation, tourism, youth, as well as meetings of the ASEAN Investment Area (AIA) Council, and the ASEAN Free Trade Area (AFTA) Council. The ASEAN Standing Committee is composed of the Directors-General of the ASEAN Departments of the respective Ministries of Foreign Affairs and coordinate important ASEAN affairs. Chairmanship of the ASEAN Standing Committee rotates annually in concomitance with the hosting of the AMM. The ASC reports directly to the ASEAN Foreign Ministers who in turn report to the Heads of State/Government. Supporting these ministerial bodies are committees of senior officials and technical working groups. The committees of senior officials are called Senior Officials Meetings (SOM), meet regularly during the year or on an ad hoc basis preparing for events or other higher-level meetings. The ASEAN Secretariat, which is located in Jakarta, is headed by the Secretary General, who is appointed on merit and accorded ministerial status, and mandated to initiate, advise, coordinate and implement ASEAN activities.

ASEAN's decision-making process features its own hierarchy, divided into Tracks. Track I encompasses all official decisions made by diplomatic representatives of the member states. Track II deals with hypothetical policies proposed mainly by think tanks and academic institutions, essentially serving as a forum for potential ideas. Track III is also a forum, one that consists of civil society groups and special-interest lobbies.

Future Milestone

The Second ASEAN Informal Summit held in Kuala Lumpur on December 15, 1997 adopted the ASEAN Vision 2020, which sets out a broad vision for ASEAN in the year 2020. The ASEAN 2020 envisages a partnership in dynamic development, which will forge closer economic integration within ASEAN. The vision is of ASEAN as a concert of South East Asian Nations, outward looking, living in peace, stability and prosperity, bonded together in partnership in dynamic development and in a community of caring societies. The Vision 2020 pledges to create a stable, prosperous and highly competitive ASEAN Economic Region, in which there is free flow of goods, services and investments, a freer flow of capital, equitable economic development and reduced poverty and socio-economic disparities. Towards Vision 2020, ASEAN would inter-alia, undertake the following activities:

- Advance economic integration and cooperation by undertaking the following strategies:

❖ Fully implementing the AFTA and accelerate liberalization of trade in services

❖ Realizing the ASEAN investment area by 2010 and free flow of investments by 2020

- ❖ Intensifying and expanding sub-regional cooperation in existing and new sub regional growth areas
- ❖ Further consolidating and expanding extra-ASEAN regional linkages for mutual benefit and cooperate to strengthen the multilateral trading system
- ❖ Reinforce the role of business sector as the engine of growth
- Accelerate the free flow of professional and other services in the region
- Promote a modern and competitive SME sector in ASEAN which will contribute to the industrial development and efficiency of the region
- Promote financial sector liberalisation and closer cooperation in money and capital market, tax, insurance and customs matters as well as closer consultations in macroeconomic and financial policies
- Accelerate the development of science and technology including information technology by establishing a regional information technology network and centers of excellence for dissemination of and easy access to data and information
- Establish interconnecting arrangements in the field of energy and utilities for electricity, natural gas and water within ASEAN through the ASEAN Power Grid and a Trans-ASEAN Gas Pipeline and Water Pipeline, and promote cooperation in energy efficiency and conservation, as well as the development of new and renewable energy resources
- Enhance food security and international competitiveness of food, agricultural and forest products, to make ASEAN a leading producer of these products, and promote the forestry sector as a model in forest management, conservation and sustainable development
- Meet the ever increasing demand for improved infrastructure and communications by developing an integrated and harmonized trans-ASEAN transportation network and harnessing technology advances in telecommunication and information technology, especially in linking the planned information highways/multimedia corridors in ASEAN, promoting open sky policy, developing multi-modal transport, facilitating

goods in transit and integrating telecommunications networks through greater interconnectivity, coordination of frequencies and mutual recognition of equipment-type approval procedures

- Enhance human resource development in all sectors of the economy through quality education, upgrading of skills and capabilities and training
- Work towards a world class standard and conformance system that will provide a harmonised system to facilitate the free flow of ASEAN trade while meeting health, safety and environmental needs
- Use the ASEAN Foundation as one of the instruments to address issues of unequal economic development, poverty and socioeconomic disparities
- Promote an ASEAN customs partnership for world class standards and excellence in efficiency, professionalism and service, and uniformity through harmonised procedures, to promote trade and investment and to protect the health and well-being of the ASEAN community
- Enhance intra-ASEAN trade and investment in the mineral sector and to contribute towards a technologically competent ASEAN through closer networking and sharing of information on mineral and geosciences as well as to enhance cooperation and partnership with dialogue partners to facilitate the development and transfer of technology in the mineral sector, particularly in the downstream research and the geosciences and to develop appropriate mechanism for these

ANNEXURE 2: ASEAN FREE TRADE AREA (AFTA)

One of the key catalysts that substantiated ASEAN's increasingly important role in world exports as well as strengthening intra-ASEAN trade is an exploding amount of Free Trade Agreements (FTAs) involving ASEAN observed in the past few decades. The proliferation of FTAs in East Asia observed since 1990s has been unprecedented even though this region is a late comer of regional trade liberalisation compared to USA and EU. The creation of the AFTA was agreed at the 1992 ASEAN Summit in Singapore. The main objectives of the AFTA are:

- to create a single market and an international production base
- to attract foreign direct investments
- to expand intra-ASEAN trade and investments

In principle, the free trade area covers all manufactured and agricultural products, although the timetables for reducing tariffs and removing quantitative restrictions and other non-tariff barriers differ.

A pillar of trade liberalization under AFTA is the Common Effective Preferential Tariff (CEPT) Scheme, to eliminate tariffs on intra-ASEAN trade, which have been in effect since January 1993. Under the CEPT scheme, products are initially classified in two groups:

(1) Inclusion List (IL): Products to be subject to tariff elimination

(2) Exclusion List (EL): Products excluded from tariff elimination

In 1995, the Exclusion list was further sub-divided into:

- **Temporary Exclusion List (TEL):** Products in the Temporary Exclusion List can be shielded from trade liberalisation only for a temporary period of time.

However, all these products would have to be transferred into the Inclusion List and begin a process of tariff reduction so that tariffs would come down to 0-5 percent

- **Sensitive List (SL):** Products in the Sensitive List are to be exempted from tariff elimination. This contains unprocessed agricultural products, which are given a longer time frame before being integrated with the free trade area

- **General Exception (GE) List:** These products are permanently excluded from the free trade area for reasons of protection of national security, public morals, human, animal or plant life and health and articles of artistic, historic and archaeological value. There are 1,036 tariff lines in the GE List representing about 1.61 percent of all tariff lines in ASEAN

For the original AFTA members, initially tariff rates on the products in the IL were scheduled to be reduced between 0-5 percent by 2008. The tariff reduction schedule was revised in 1994 and 1998, and the due date for tariff reduction to the 0-5 percent range was moved forward to 2002. For the new AFTA members, due dates were set as follows: 2006 for Vietnam, 2008 for Lao PDR and Myanmar, and 2010 for Cambodia. Products in TL have been shifted to IL annually from 1996. For the products in SL, including unprocessed agricultural products, the tariff rates were to be reduced to 0-5 percent range by the year 2010 for the original six members (ASEAN-6, the five founding member countries plus Brunei Darussalam), and by the period 2013-17 for the new members (CLMV countries).

The ASEAN-CEPT was revised significantly by the ASEAN Trade in Goods Agreement (ATIGA) signed in 2008. In the revised schedule, the tariff rates of the products in IL were to be reduced to 0 percent by the year 2010 for the original six members and by the year 2015 for the new members. The ATIGA also re-defined the detailed schedule of tariff reduction.

During the AFTA period (1992-2010), intra- regional tariff rates in ASEAN have been reduced or eliminated steadily under the CEPT Scheme, which was revised several times. Fully implemented in 2003 with respect to the ASEAN-6 countries, AFTA contains four key measures for trade liberalization: (i) reducing tariff rates under CEPT

(ii) eliminating non-tariff barriers (NTBs) (iii) prohibiting quantitative restrictions and (iv) enhancing trade facilitations such as harmonization of standards and the reciprocal of tests and certification of products. Effective January 1, 2010, ASEAN-6 countries have eliminated import duties on 99 per cent of products in the IL, and AFTA is almost completely realised among the ASEAN-6. Singapore is the only country to have reached the ideal level of tariffs in ASEAN, that being, zero tariffs. On average, ASEAN-6 countries have 99.20 percent of tariff lines in the IL at 0 percent. Only 0.35 percent or less than 1 percent of the Tariff Lines in the IL has import duties. For Cambodia, Lao PDR, Myanmar and Viet Nam, 68.88 percent of the Tariff Lines in the IL are already at 0 percent. On the average, ASEAN member states have 87.81 percent Tariff Lines at 0 percent according to the ATIGA Tariff Schedule of 2013. Based on the commitments under AFTA, Cambodia, Lao PDR, Myanmar and Viet Nam will be eliminating duties on all products by 2015, with flexibility of 7 percent of tariff lines up to 2018. By 2015, ASEAN-6 and CLMV will become a complete free trade area.

ANNEXURE 3: PROTOCOL TO AMEND THE FRAMEWORK AGREEMENT ON COMPREHENSIVE ECONOMIC COOPERATION BETWEEN THE REPUBLIC OF INDIA AND THE ASSOCIATION OF SOUTHEAST ASIAN NATIONS PREAMBLE

The Government of the Republic of India (India) and the Governments of Brunei Darussalam, the Kingdom of Cambodia (Cambodia), the Republic of Indonesia (Indonesia), the Lao People's Democratic Republic (Lao PDR), Malaysia, the Union of Myanmar (Myanmar), the Republic of the Philippines (the Philippines), the Republic of Singapore (Singapore), the Kingdom of Thailand (Thailand) and the Socialist Republic of Vietnam (Vietnam), Member States of the Association of Southeast Asian Nations (collectively, "ASEAN" or "ASEAN Member States", or individually, "ASEAN Member State"),

RECALLING the Framework Agreement on Comprehensive Economic Cooperation between the Republic of India and the Association of Southeast Asian Nations (the Framework Agreement) signed in Bali, Indonesia on 8 October 2003;

REAFFIRMING the commitment of India and ASEAN (collectively, the "Parties", or individually referring to India or to an ASEAN Member State as a "Party") to gradually reduce and eliminate tariffs in accordance with specified schedules;

CONSIDERING the necessity to revise the Framework Agreement to reflect the current position in relation to the Early Harvest Programme (EHP) in the Framework Agreement and the various timeframes indicated therein;

DESIRING to reflect the various amendments pursuant to Article 14 of the Framework Agreement,

HAVE AGREED AS FOLLOWS:

Article 1
Applied Most Favoured Nation Tariff Rates

Paragraph 2(a) of Article 3 of the Framework Agreement shall be amended by replacing the date "1 July 2004" with the date "1 July 2007".

Article 2

Periods for Reduction or Elimination of Applied Most Favoured Nation Tariff Rates

1. The periods for the reduction or elimination of applied Most Favoured Nation (MFN) tariff rates for Normal Track products set out in paragraphs 5(a)(i) to (iii) of Article 3 of the Framework Agreement shall be amended as follows:

<u>"Track 1</u>

(i) 1 January 2010 to 31 December 2013 for Brunei Darussalam, Indonesia, Malaysia, Singapore and Thailand, and India;

(ii) 1 January 2010 to 31 December 2018 for the Philippines and India; and
(iii) 1 January 2010 to 31 December 2013 for India and 1 January 2010 to 31 December 2018 for Cambodia, Lao PDR, Myanmar and Vietnam.

<u>Track 2</u>

(i) 1 January 2010 to 31 December 2016 for Brunei Darussalam, Indonesia, Malaysia, Singapore and Thailand, and India;
(ii) 1 January 2010 to 31 December 2019 for the Philippines and India; and
(iii) 1 January 2010 to 31 December 2016 for India and 1 January 2010 to 31 December 2021 for Cambodia, Lao PDR, Myanmar and Vietnam."

2. The revised date of commencement of 1 January 2010 as referred to in paragraph 1 may, if necessary, be adjusted to a date to be mutually agreed upon by the Parties pursuant to the amended paragraph 1 of Article 8 of the Framework Agreement.

Article 3

Early Harvest Programme

The Parties agree not to pursue the EHP and accordingly, the Framework Agreement is amended as follows:

(a) Paragraph 5 of Article 3 shall be amended by deleting the phrase “not covered by the Early Harvest Programme under Article 7 of this Agreement”;

(b) Paragraph 6 of Article 3 shall be amended by deleting the phrase “and Article 7 of this Agreement”; and

(c) Article 7 shall be deleted and the product coverage referred to in paragraph 3(a) of that Article shall be treated as being covered by the words “all products” in paragraph 5 of Article 3.

Article 4

Timeframes

1. Paragraphs 1 and 2 of Article 8 of the Framework Agreement shall be deleted and substituted as follows:

“(1) For trade in goods, negotiations on the agreement for tariff reduction or elimination and other matters as set out in Article 3 of this Agreement shall commence in January 2004 and be concluded by 2009 or such other dates as may be mutually agreed upon by the Parties.

(2) The negotiations on Rules of Origin for trade in goods under Article 3 shall be concluded by 2009 or such other dates as may be mutually agreed upon by the Parties.”

2. The first sentence of paragraph 3 of Article 8 of the Framework Agreement shall be deleted and substituted as follows:

“For trade in services and investments, the negotiations on the respective agreements which commenced in October 2008 shall be concluded as a single undertaking by 2009 or such other date as may be mutually agreed upon by the Parties.”

Article 5

Dispute Settlement Mechanism

Paragraph 1 of Article 11 of the Framework Agreement shall be amended as follows:

“(1) The Parties shall, by 2009, or such other dates as may be mutually agreed upon by the Parties, conclude negotiations for the establishment of the dispute settlement procedures and mechanism for the purposes of this Agreement.”

Article 6

Depositary

For the ASEAN Member States, this Protocol shall be deposited with the

Secretary-General of ASEAN, who shall promptly furnish a certified copy thereof to each ASEAN Member State.

Article 7

Entry into Force

1. Each Party shall notify all the other Parties in writing upon completion of its internal requirements1 necessary for the entry into force of this Protocol. This Protocol shall enter into force on 1 January 2010 or the date by which such notifications have been made by the Governments of India and at least one (1) ASEAN Member State.

2. Where a Party is unable to complete its internal requirements for the entry into force of this Protocol by 1 January 2010, this Protocol shall enter into force for that Party on 1 June 2010 or upon the date by which that Party notifies the completion of its internal requirements.

IN WITNESS WHEREOF, the undersigned being duly authorised by their respective Governments, have signed this Protocol.

DONE at Bangkok, Thailand this thirteenth day of August 2009 in two (2) originals in the English language.

For the Republic of India **ANAND SHARMA** Minister of Commerce and Industry	**For The Government of Brunei Darussalam** **LIM JOCK SENG** Second Minister for Foreign Affairs and Trade **For the Royal Government of Cambodia** **CHAM PRASIDH** Senior Minister and Minister of Commerce **For the Government of Republic of Indonesia** **MARI ELKA PANGESTU** Minister of Trade **For the Government of Lao PDR** **NAM VIYAKETH** Minister of Industry and Commerce **For the Government of Malaysia** **MUSTAPA MOHAMED** Minister of International Trade and Industry **For the Government of Union Of Myanmar** **U SOE THA** Minister for National Planning and Economic Development **For the Government of the Republic of the Philippines** **PETER B. FAVILA** Secretary of Trade and Industry **For the Government of the Republic of Singapore** **LIM HNG KIANG** Minister for Trade and Industry **For the Government of the Kingdom of Thailand** **PORNTIVA NAKASAI** Minister of Commerce **For the Government of the Socialist of Vietnam** **NGUYEN CAM TU** Vice Minister of Industry and Trade

Source: Ministry of Commerce and Industry, Government of India

ANNEXURE 4: INDIA'S APPROVED OVERSEAS INVESTMENTS IN CLMV COUNTRIES IN 2012-13

Name of the Indian Party	Name of the JV/ WOS	Whether JV/WOS	Overseas Country	Major Activity	Total (US$ mn)
GRASIM INDUS-TRIES LTD.	BIRLA JINGWEI FIBRES CO LTD	JV	CAMBODIA	MANUFACTUR-ING	4.77
GRASIM INDUS-TRIES LTD.	BIRLA JINGWEI FIBRES CO LTD	JV	CAMBODIA	MANUFACTUR-ING	2.39
GRASIM INDUS-TRIES LTD.	BIRLA JINGWEI FIBRES CO LTD	JV	CAMBODIA	MANUFACTUR-ING	2.39
GREEN KHMER AGRO PRIVATE LTD.	GREEN AGRI KHMER PRIVATE CO LTD	JV	CAMBODIA	AGRICULTURE & MINING	0.02
GREEN KHMER AGRO PRIVATE LTD.	GREEN AGRI KHMER PRIVATE CO LTD	JV	CAMBODIA	AGRICULTURE & MINING	0.02
GREEN KHMER AGRO PRIVATE LTD.	GREEN AGRI KHMER PRIVATE CO LTD	JV	CAMBODIA	AGRICULTURE & MINING	0.01
CCS GROWER SYSTEMS PRI-VATELTD	CSS CHAMPA LAO CO LIMITED	WOS	LAO PDR	AGRICULTURE AND MINING	0.07
CCS GROWER SYSTEMS PRI-VATELTD	CSS CHAMPA LAO CO LIMITED	WOS	LAO PDR	AGRICULTUR & MINING	0.13
CENTURY PLY-BOARD INDIA LTD	CENTURYPLY MYANMAR PRI-VATE LIMITED	WOS	MYANMAR	MANUFACTUR-ING	0.81
CENTURY PLY-BOARD INDIA LTD	CENTURYPLY MYANMAR PRI-VATE LIMITED	WOS	MYANMAR	MANUFACTUR-ING	0.70
CENTURY PLY-BOARD INDIA LTD	CENTURYPLY MYANMAR PRI-VATE LIMITED	WOS	MYANMAR	MANUFACTUR-ING	0.58
JUBILANT OIL AND GAS PRIVATE LIMITED	JUBILANT OIL & GAS PRIVATE LIMITED	JV	MYANMAR	AGRICULTURE & MINING	0.35

Name of the Indian Party	Name of the JV/ WOS	Whether JV/WOS	Overseas Country	Major Activity	Total (US$ mn)
CENTURY PLY-BOARD INDIA LTD	CENTURYPLY MYANMAR PRIVATE LIMITED	WOS	MYANMAR	MANUFACTURING	0.33
CENTURY PLY-BOARD INDIA LTD	CENTURYPLY MYANMAR PRIVATE LIMITED	WOS	MYANMAR	MANUFACTURING	0.27
CENTURY PLY-BOARD INDIA LTD	CENTURYPLY MYANMAR PRIVATE LIMITED	WOS	MYANMAR	MANUFACTURING	0.12
WOLKEM INDIA LTD.	LAM HONG TRANSPORTATION SERVICES AND TRADE CO. LTD.	JV	VIETNAM	AGRICULTURE AND MINING	0.90
SNAM ABRASIVES (P) LTD	VIETNAM ABRASIVES COMPANY LIMITED	WOS	VIETNAM	MANUFACTURING	0.45
SNAM ABRASIVES (P) LTD	VIETNAM ABRASIVES COMPANY LIMITED	WOS	VIETNAM	MANUFACTURING	0.32
UTTARA FOODS & FEEDS PVT. LTD.	VENKY'S (VIETNAM) CO. LTD.	WOS	VIETNAM	MANUFACTURING	0.24
VEDIC ELEMENTS P LTD	FANXIPANG INVESTMENT & DEVLEOPMENT JSC	JV	VIETNAM	MANUFACTURING	0.13
SNAM ABRASIVES (P) LTD	VIETNAM ABRASIVES COMPANY LIMITED	WOS	VIETNAM	MANUFACTURING	0.10
UTTARA FOODS & FEEDS PVT. LTD.	VENKY'S (VIETNAM) CO. LTD.	WOS	VIETNAM	MANUFACTURING	0.10
SNAM ABRASIVES (P) LTD	VIETNAM ABRASIVES COMPANY LIMITED	WOS	VIETNAM	MANUFACTURING	0.10
UTTARA FOODS & FEEDS PVT. LTD.	VENKY'S (VIETNAM) CO. LTD.	WOS	VIETNAM	MANUFACTURING	0.04
UTTARA FOODS & FEEDS PVT. LTD.	VENKY'S (VIETNAM) CO. LTD.	WOS	VIETNAM	MANUFACTURING	0.04

Source: Reserve Bank of India

ANNEXURE 5: INVESTMENT PROMOTION AGENCIES AND OTHER KEY INSTITUTIONS IN CLMV COUNTRIES

Cambodia

Ministry of Foreign Affairs and International Cooperation
No.3, Samdech Hun Sen Street, Sangkat Tonle Bassac,
Khan Chamcar Mon, Phnom Penh, Kingdom of Cambodia
Website: http://www.mfaic.gov.kh/
Council for Development of Cambodia
Government Palace, Sisowath Quay, Wat Phnom, Phnom Penh,
Kingdom of Cambodia
Website: http://www.cambodiainvestment.gov.kh/

Lao PDR

Ministry of Foreign Affairs
23 Singha Road, Vientiane Capital, Lao PDR
Website: http://www.mofa.gov.la/
Lao Trade Promotion Centre
Nong Bone Rd, Xaysettha District, Ban Fai Area, Vientiane Capital, Lao PDR
Website: http://www.laotrade.org.la/

Myanmar

Directorate of Investment and Company Administration
Office Building No.32, Nay Pyi Taw
Website: http://www.dica.gov.mm/

Vietnam

Ministry of Foreign Affairs
No.1 Ton That Dam, Ba Dinh, Hanoi, Vietnam
Website: http://www.mofa.gov.vn/
Vietnam Trade Promotion Agency
20 Ly Thuong Kiet St., Ba Dinh Dist., Ha Noi
Website: http://www.vietrade.gov.vn/

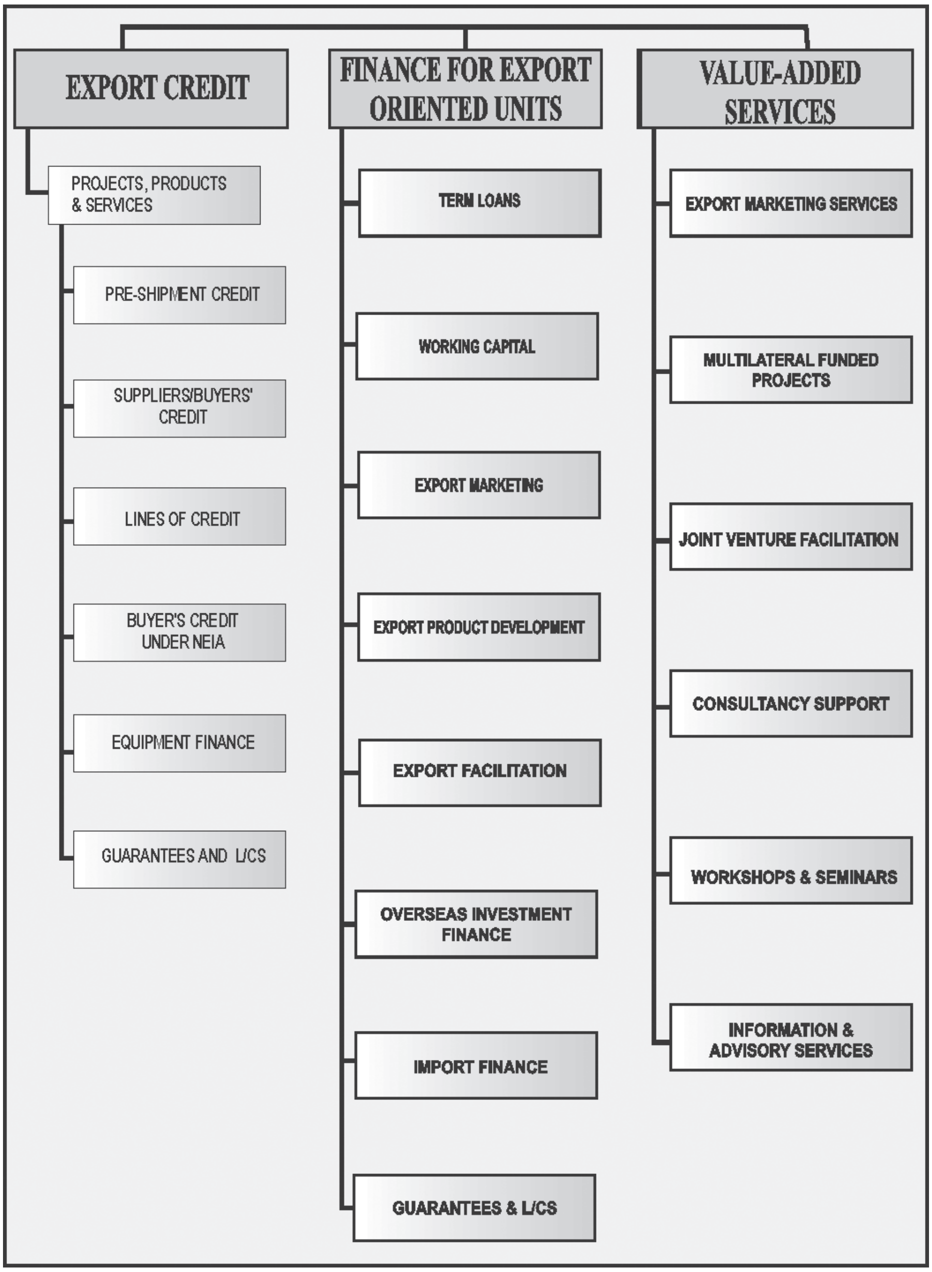
RECENT OCCASIONAL PAPERS

OP. No.	Title
95.	Increasing Wage Inequality in Developed Countries: Role of Changing Trade, Technology and Factor Endowments
96.	Essays on Trade in Goods and Factor Movements Under Increasing Returns to Scales
97.	Export of Organic Products from India: Prospects and Challenges
98.	Export Potential of Indian Medicinal Plants and Products
99.	Select Southern African Countries: A Study of India's Trade and Investment Potential
100.	BIMST-EC Initiative: A Study of India's Trade and Investment Potential with Select Asian Countries
101.	Some Aspects of Productivity Growth and Trade in Indian Industry
102.	Intra-Industry Trade In India's Manufacturing Sector
103.	Export Potential of Indian Plantation Sector: Prospects and Challenges
104.	Fresh Fruits, Vegetables and Dairy Products: India's Potential For Exports to Other Asian Countries
105.	Biotechnology: Emerging Opportunities for India
106.	ASEAN Countries: A Study of India's Trade and Investment Potential
107.	Essays on Globalisation and Wages in Developing Countries
108.	Select West African Countries: A Study of India's Trade and Investment Potential
109.	Indian Leather Industry: Perspective and Export Potential
110.	GCC Countries: A Study of India's Trade and Export Potential
111.	Indian Petroleum Products Industry : Opportunities and Challenges
112.	Floriculture : A Sector Study
113.	Japanese & U.S. Foreign Direct Investments in Indian Manufacturing : An Analysis
114.	Maghreb Region: A Study of India's Trade and Investment Potential
115.	Strengthening R & D Capabilities in India
116.	CIS Region: A Study of India's Trade and Investment Potential
117.	Indian Chemical Industry: A Sector Study
118.	Trade and Environment: A Theoretical and Empirical Analysis
119.	Indian Pharmaceutical Industry : Surging Globally
120.	Regional Trade Agreements: Gateway to Global Trade
121.	Knowledge Process Outsourcing: Emerging Opportunities for India
122.	Indian Mineral Sector and its Export Potential
123.	SAARC: An Emerging Trade Bloc
124.	Indian Capital Goods Industry - A Sector Study
125.	Financial Liberalization and Its Distributional Consequences
126.	ECOWAS: A Study of India's Trade and Investment Potential
127.	Indian Textile and Clothing Industry in Global Context: Salient Features and Issues
128.	Fair Trade : Fair Way of Enhancing Export Value

129. Indian Automotive Industry: At The Crossroads
130. CARICOM : A Gateway to the America
131. IBSA : Enhancing Economic Cooperation Across Continents
132. MSMEs and Globalisation: Analysis of Institutional Support System in India and In Select Countries
133. International Trade, Finance and Money: Essays in Uneven Development
134. Sikkim: Export Potential and Prospects
135. Mizoram: Export Potential and Prospects
136. Floriculture: A Sector Study
137. Biotechnology Industry in India: Opportunities for Growth
138. Indian Gems and Jewellery: A Sector Study
139. SADC: A Study of India's Trade and Investment Potential
140. Innovation, Imitation and North South Trade: Economic Theory and Policy
141. COMESA (Common Market for Eastern and Southern Africa): A Study of India's Trade and Investment Potential
142. Indian Shipping Industry: A Catalyst for Growth
143. New Renewable Energy in India: Harnessing the Potential
144. Caribbean Community (CARICOM): A Study of India's Trade and Investment Potential
145. West African Region: A Study of India's Trade and Investment Potential
146. India's Trade and Investment Relations with LDCs (Least Developed Countries): Harnessing Synergies
147. Indian Electronic Industry : Perspectives and Strategies
148. Export Potential of Indian Plantation Sector: Prospects and Challenges
149 MERCOSUR : A Study of India's Trade and Investment Potential
150. Openness and Growth of the Indian Economy: An Empirical Analysis
151. The Commonwealth: Promoting a Shared Vision on Trade and Investment
152. Southern African Development Community (SADC): A Study of India's Trade and Investment Potential
153. Strategic Development of MSMEs: Comparison of Policy Framework and Institutional Support Systems in India and Select Countries
154. Indian Chemical Industry : Exploring Global Demand
155. Technological Interventions In Indian Agriculture for Enhancement of Crop Productivity
156. Exports of Services and Offshore Outsourcing: An Empirical Investigation in the Indian Context
157. Indian Ocean Rim Association for Regional Co-operation (IOR-ARC): A Study of India's Trade and Investment Potential
158. West Africa: A Study of India's Trade and Investment Potential
159. The Effects of Financial Openness: An Assessment of the Indian Experience
160. Comparison of Labour Laws: Select Countries

EXIM BANK'S MAJOR PROGRAMMES

Bank's Major Programmes



EXPORT-IMPORT BANK OF INDIA

HEAD OFFICE

Centre One Building, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005.
Phone : (91 22) 22172600 Fax : (91 22) 22182572 E-mail : ccg@eximbankindia.in
Website : www.eximbankindia.in

LONDON BRANCH

88/90, Temple Chambers, 3-7, Temple Avenue, London EC4Y OHP, United Kingdom.
Phone : (44) 20 73538830 Fax : (44) 20 73538831 E-mail : eximlondon@eximbankindia.in

Indian Offices

AHMEDABAD
Sakar II, Floor 1 ,
Next to Ellisbridge Shopping Centre,
Ellisbridge P. O., Ahmedabad 380 006.
Phone : (91 79) 26576852/26576843 Fax : (91 79) 26577696
E-mail : eximahro@eximbankindia.in

BANGALORE
Ramanashree Arcade, Floor 4,
18, M. G. Road, Bangalore 560 001.
Phone: (91 80) 25585755/25589101-04 Fax: (91 80) 25589107
E-mail : eximbro@eximbankindia.in

CHANDIGARH
PHD House, Floor 1, Sector 31-A,
Dakshin Marg, Chandigarh 160 031
Phone : (91 172) 2641910/12/39/49 Fax : (91 172) 2641915
E-mail : eximcro@eximbankindia.in

CHENNAI
Overseas Towers, Floors 4 & 5,
No. 756-L, Anna Salai (Opp. TVS), Chennai - 600 002.
Phone : (91 44) 28522830, 28522831
Fax : (91 44) 28522832
E-mail : eximchro@eximbankindia.in

GUWAHATI
NEDFI House, Floor 4,
G. S. Road, Dispur, Guwahati - 781 006
Phone : (91 361) 2237607, 2237609
Fax : (91 361) 2237701
E-mail : eximgro@eximbankindia.in

HYDERABAD
Golden Edifice, Floor 2, 6-3-639/640, Raj Bhavan Road,
Khairatabad Circle, Hyderabad 500 004.
Phone : (91 40) 23307816-21 Fax : (91 40) 23317843
E-mail : eximhro@eximbankindia.in

KOLKATA
Vanijya Bhawan, Floor 4, (International Trade Facilitation Centre),
1/1 Wood Street, Kolkata - 700 016.
Phone : (91 33) 22833419/22833420 Fax : (91 33) 22891727
E-mail : eximkro@eximbankindia.in

MUMBAI
Maker Chambers IV, Floor 8,
222, Nariman Point, Mumbai 400 021.
Phone : (91 22) 22823320 / 92 / 94 Fax : (91 22) 22022132
E-mail : eximwrro@eximbankindia.in

NEW DELHI
Ground Floor, Statesman House,
148, Barakhamba Road, New Delhi 110 001.
Phone : (91 11) 23474800
Fax : (91 11) 23322758/23321719
E-mail : eximndro@eximbankindia.in

PUNE
44, Shankarseth Road, Pune 411 037.
Phone : (91 20) 26403000 Fax : (91 20) 26458846
E-mail : eximpro@eximbankindia.in

Overseas Offices

ADDIS ABABA
Bole Kifle Ketema
Kebele - 19, (03/05), House No. 015-B
Addis Ababa, Ethiopia,
Phone : (251 116) 630079
Fax : (251 116) 610170
E-mail : aaro@eximbankindia.in

DAKAR
Floor 1, 7, rue Félix Faure,
B.P. 50666, Dakar, Senegal
Phone : (221 33) 8232849
Fax : (221 33) 8232853
E-mail : eximdakar@eximbankindia.in

DUBAI
Level 5, Tenancy 1B,
Gate Precinct Building No. 3,
Dubai International Financial Centre,
PO Box No. 506541, Dubai, UAE.
Phone : (971 4) 3637462
Fax : (971 4) 3637461
E-mail : eximdubai@eximbankindia.in

JOHANNESBURG
Floor 2, Sandton City Twin Towers East,
Sandhurst Ext. 3, Sandton 2196,
Johannesburg, South Africa.
Phone : (27 11) 3265103 / 13 Fax: (27 11) 7844511
E-mail : eximjro@eximbankindia.in

SINGAPORE
20, Collyer Quay,
10-02, Tung Centre, Singapore 049319.
Phone : (65) 65326464
Fax : (65) 65352131
E-mail : eximsingapore@eximbankindia.in

WASHINGTON D.C.
1750 Pennsylvania Avenue NW,
Suite 1202, Washington D.C. 20006,
United States of America.
Phone : (1 202) 223 3238
Fax : (1 202) 785 8487
E-mail : eximwashington@eximbankindia.in

YANGON
House No. 54/A, Ground Floor,
Boyarnyunt Street, Dagon Township,
Yangon, Myanmar.
Mob: (95) 9423694109
Email: eximyangon@eximbankindia.in