

Territorial NEWSLETTER ASEAN

EEPCINDIA

ENGINEERING THE FUTURE

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Chairman's Pen



In this issue of the Territorial Newsletter we brief on CLMV countries and India's trade relations with them. CLMV countries share boundaries and close proximity to India. Cambodia, Lao People's Democratic Republic (Lao PDR or Laos), Myanmar and Vietnam, which form the CLMV countries, are among the fastest growing economies in the region. India's bilateral trade has expanded significantly over the last few decades. Improved economic prospects, certain degree of macroeconomic stability have sparked interest from Indian government to pursue bilateral pacts with the CLMV countries.

There is a huge potential for the Indian companies to participate not only in the investment activities promoted by the respective governments of the CLMV countries but also in the multilateral funded projects of the World Bank and the Asian Development Bank in CLMV region. I hope that this newsletter will be informative for our readers and I hope they enjoy reading it.

T S Bhasin

Message from Chairman, Committee on Trade with ASEAN countries



In this fourth edition of the 'Newsletter on ASEAN', we focus on the CLMV countries and the opportunities it unfolds for India. The CLMV countries have witnessed increased economic activities in recent years, which are reflected in their increased GDP growth as also rise in foreign trade of the countries.

The political and socio-economic developments which have taken place in this region are creating favourable business conditions. Further, with the introduction of financial and commercial tax reforms, the banking system has become more customer-friendly.

This newsletter will give the readers a brief idea of the upcoming opportunities in the CLMV region. This will help them in understanding the future potentialities which needs to be encashed.

PK Shah

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Basic Facts

Population: 625 million (2013 estimate)

GDP: USD 2.6 trillion

Climate: Hot, humid, rainy (mostly May to November); dry season (mostly December to April);

Natural resources: Tin, petroleum, copper, natural gas, arable land, gold, hydropower, offshore oil and gas deposits.

CLMV countries- A new exports possibility for India

Cambodia, Lao People's Democratic Republic (Lao PDR or Laos), Myanmar and Vietnam, which form the CLMV countries, are an integral part of the Association of South East Asian Nations (ASEAN) region, and covers 32 percent of geographical area of the ASEAN region. 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 development.

These economies are endowed with abundant natural resources and low-waged labour forces. However, they are faced with underdeveloped infrastructure and logistics. Except Vietnam, all the CLMV countries fall under the category of Least Developed Countries as classified by the United Nations.

Over the last decade, CLMV countries have shown remarkable economic growth, stemming from sustained FDI that was facilitated by improved physical infrastructure, cheap labour cost, and preferential market access treatment by developed countries.

The socio-economic conditions of the CLMV countries are more suitable for Indian business environment in comparison with the other ASEAN countries. The close proximity of the CLMV nations opens up further opportunities which could be exploited in mutual benefit to through one- to one agreements rather than through a combined approach.

Thus the government of India proposed to pursue bilateral pacts with Cambodia, Laos PDR, Myanmar and Vietnam (CLMV) in order to enhance the footprint of Indian investments and trade in these countries.

CLMV countries- Brief Note

Cambodia:

Cambodia is predominantly an agrarian economy falling under the U.N's LDC category. According to World Bank estimates, services sector accounted for 40 percent of GDP in 2013, followed by agriculture (36 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.

Lao PDR:

Lao PDR is constantly transforming itself into a lower-middle-income country. 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 co-operation 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, resulted 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.

Myanmar:

Myanmar, branded by IMF as Asia's 'final frontier', 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 the 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. The government has initiated a broad array of reforms on unifying the exchange rate, improving monetary policy, increasing tax collection, reorienting public expenditure towards social and physical infrastructure, improving the business and investment climate, developing the financial sector, and liberalizing agriculture and trade.

With recent positive political and economic outlook, Myanmar has shown substantial interest in extracting the country's natural resource wealth, and with the help of international organizations such as the World Bank and Asian Development Bank, it has started focusing on developing large-scale infrastructure projects to establish strategic corridors to connect the country to the wider economic region. After decades of relative isolation, the new government is in the process of liberalizing the economy and implementing reforms, to attract foreign investment.

The international community has shown great interest, fuelling the onset of a gold rush, with Myanmar being portrayed as "probably the best investment opportunity in the world right now". Myanmar, as Asia's final resource frontier, has prominently enticed the interest of foreign investors. The approval of the Foreign Investment Law (FIL) in November 2012 has paved the way for attracting foreign investments in various sectors including infrastructure, telecommunications, energy and manufacturing.

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 encouraging foreign investors.

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.

Vietnam has remained an attractive investment destination in light of its growing working-age population and low labor cost.

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.

Table1: India's bilateral trade with CLMV countries

Values in US\$ Million	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
India's Engineering Exports to CLMV Countries	819.95	743.92	707.32	1144.53	1111.37
India's Engineering Imports from CLMV Countries	550.01	984.53	1390.69	1605.27	1859.47
Engineering BOT	269.94	-240.61	-683.37	-460.74	-748.1
India's Total Exports to CLMV Countries	3052.11	4378.89	4653.22	6420.15	7240.96
India's Total Imports from CLMV Countries	2090.8	3200.55	3878.01	4042.04	4338.12
Total BOT	961.31	1178.34	775.21	2378.11	2902.84
Total Trade with CLMV	5142.91	7579.44	8531.23	10462.19	11579.08
Growth in Total Trade (%)		47.38	12.56	22.63	10.68

Source: DGCI&S, Government of India

During the last five years, India's total trade with the CLMV countries has grown from US\$ 5.1 billion in 2010-2011 to US\$ 11.6 billion in 2014-2015, which is more than double. Unlike engineering trade scenario total trade balance is in India's favour, with the surplus amounting to US\$ 2.9 billion in 2014-2015.

Among the CLMV countries, India has a trade deficit in the engineering sector with Vietnam only. India imports a huge amount of electrical machinery and equipments, nuclear reactors etc and products of iron and steel from Vietnam, which has resulted in engineering trade deficit for India.

In the last five years, India's engineering trade with CLMV countries have increased. India's major exports to the CLMV countries comprise iron and steel, products of iron & steel, nuclear reactors, boilers, electric machinery and equipments, and vehicles other than railway. On the other hand, India's key engineering imports from the region include copper and articles of copper, electric machinery & equipments and etc.

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 Investment in CLMV countries

India's approved direct investments in joint ventures and wholly owned subsidiaries in the CLMV countries amounted to US\$ 40.9 million during 2013-14, with the bulk of the flows directed to Vietnam (54.9 percent of the total flows to the CLMV region).

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.

(i) Lines of Credit (LOCs)

Exim Bank's operative LOCs covering the CLMV region at the behest of Government of India include:

Cambodia: A total of three LOCs amounting to US\$ 65.2 million to the Government of Cambodia for the following purposes:

- ✓ Stung Tasal Development Project, purchase of water pumps and construction of electric transmission line between Kratie and Stung Treng Province in Cambodia.
- ✓ Strengthening the capacity of transmission line project between Kratie and Stung Treng.
- ✓ Completion of the Stung Tasal Water Development Project in Cambodia.

Lao PDR: A total of four LOCs amounting to US\$ 153.8 million to the Government of Lao PDR for the following purpose:

- ✓ Paksong S/S-Jiangxai 115 KV, double circuit Transmission Line project, Nam Song 7.5 MW Hydropower project and equipment for Rural Electrification Phase 2 project.
- ✓ Development of irrigation schemes in Chammasack Province.
- ✓ 230 kV double circuit transmission line from Nabon to Thabok and substations and 2 hydropower projects (15 MW) in Nam Boun.
- ✓ Construction of Storage Dams and Development of Irrigation System.

Myanmar: A total of nine LOCs amounting to US\$ 601.4 million were extended to Myanmar 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.

Vietnam: A total of four LOCs amounting to US\$ 191.5 million extended to the Government of Vietnam covering, among others, the following sectors:

- ✓ Hydropower projects
- ✓ Exports of textile machinery and equipments

(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 September 30, 2014, 20 project contracts valued at ` 6,498.3 crore supported by Exim Bank India were under execution in the CLMV countries. Out of these, 12 contracts valued at ` 1,472 crore are under Government of India supported LOCs.

(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 / Wholly Owned Subsidiaries. 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 September 30, 2014, Exim Bank India has provided finance to four Indian companies for setting up ventures in Vietnam, with sanctioned amount of `129 crore. Companies supported are:

- ✓ Vallabhdas Kanji Limited
- ✓ Ngon Coffee Company Limited
- ✓ Vietnam Abrasives Company Limited
- ✓ Tufropes Vietnam Company Limited

Exim Bank India has also provided finance to TIL Ltd. for setting up ventures in Myanmar, with sanctioned amount of ` 8.3 crore.

Investment Opportunities in CLMV countries

The CLMV economies are primarily agrarian with vast potential for future developments. Select sectors which hold potential for investment opportunities are briefly discussed.

A. Basic Infrastructure

An area of critical importance for CLMV region is infrastructure development. Infrastructure coverage of the CLMV region is amongst the lowest in the ASEAN region. The primary reason for low levels of infrastructure development in the CLMV region stems from limited economic capacity to invest in infrastructure. Development of infrastructure essentially encompasses rail road, air port connectivity, logistics and water supply, among others.

The IMF and the Japan International Co-operation Agency (JICA) estimated in 2011, that Cambodia needed more than US\$13 billion in infrastructure works by 2020 if the country intends to continue attracting foreign investment.

In Lao PDR, the National Economic and Social Development Plan 2011-15 sets development of a well laid transportation system as a priority, by embarking on a maintenance programme for existing roads and bridges, and constructing new roads, railway network and airport. As a land-locked country strategically located between Vietnam, Thailand and China, the government of Lao PDR has placed a strong emphasis on improving regional transport in order to expand trade and investment opportunities.

It is estimated that by 2030, infrastructure could contribute to US\$ 49 billion to national GDP in Myanmar. Myanmar is one of the last untapped telecommunication markets in the world, and the mobile telecommunications market in Myanmar is significantly underdeveloped. The underdeveloped telecom and logistics infrastructure in Myanmar has long been an operational challenge to its businesses, which needs good ports, road and rail systems. There is pent up demand for infrastructural development.

Vietnam's rapid growth has outpaced its infrastructure, creating a major constraint to continued export-led growth and investment. Over the next 10-12 years, the World Bank estimates that US\$170 billion will be required for planned infrastructure projects to sustain Vietnam's robust economic development. Opportunities in Vietnam include ports, expressways, metro lines, among others.

The burgeoning demand for infrastructure development therefore opens up ample opportunities for engineering, procurement and construction (EPC) companies, iron and steel manufacturers, and cement manufacturers.

B. Power

Cambodia has one the lowest electrification rates outside Sub-Sahara Africa and some of the highest energy costs in the world. The lack of a reliable electricity supply has been identified as one of the biggest bottlenecks for Cambodia's competitiveness and development. Plans for rapid industrialization and infrastructure development would significantly depend on availability of sufficient power. Therefore the government prioritized on improving the supply of electricity and reduce tariffs, by encouraging investment in the construction of low cost electricity plants, by using Cambodia's coal reserves and by exploiting its hydroelectric potential.

In the case of Lao PDR, while hydropower generation has a potential of 26,500 MW, only 60 percent of the country's households have access to electricity. The government has announced a goal of electrification of 90 percent of households by 2020.

Large scale power generation is a critical issue for Myanmar with a modest power consumption of around 103.7 kwh per capita,²⁵ which is less than what is needed for a modern industrial economy. At present, only 30 percent of Myanmar's population has access to electricity. The power sector is therefore a top priority for the government, with the goal to increase capacity to 20,000MW by the year 2030 from the current installed capacity of only 4,000MW²⁶.

In Vietnam, Directorate General of Energy has laid an ambitious plan to attain an installed power capacity in the range of 69,000 MW to 75,000 MW by 2020.

Indian companies with their expertise and competence in setting up and implementing large scale power projects overseas could explore opportunities in power generation and distribution projects in this region.

B. Agriculture and Allied Activities

Foreign investors are invited to invest in the form of Joint Venture or 100 percent investment in establishment of agro-based industries; assembling and manufacturing of light agricultural machinery and small farm implements, and manufacturing of agricultural inputs and related support products. The potential areas for agrobased industries are plantation, sugar mills, cotton industry, jute industry, rubber industry and assembling and manufacturing of light agricultural machineries and small farm implements.

India with its expertise could share its experience with the CLMV region and explore opportunities for investment and collaboration in allied activities and food processing.

C. Mining

The mining sector in Cambodia is still largely undeveloped, and most mining companies active in Cambodia are small-scale quarries producing materials for construction, such as laterite, marble, granite, limestone, gravel and sand. According to the Ministry of Industry, Mines and Energy (MIME), Cambodia, copper, gold, iron ore, zinc, lead, tin, bauxite, sapphire, ruby, kaolin and limestone are amongst the most prevalent resources in Cambodia, which are largely untapped. A large number of foreign companies are engaged in research and exploration for minerals in Cambodia, and have also received licenses to conduct exploitation.

Lao PDR is rich in mineral resources, with majority of foreign investments concentrated in mining sector. With only 30 percent of its territory exploited so far, activity in the mining sector is expected to rise in the near future, with atleast 650 locations identified to be containing metal ores.

Myanmar is blessed with abundant mineral resource deposits including tungsten, tin, zinc, silver, copper, lead, coal, goal, industrial minerals, antimony, limestone, marble, gemstones, and oil and gas. The policy objective of the Ministry of Mines is to immediately boost up the present production fulfilling the growing domestic needs and at the same time promoting exports. Types of possible investments can be through production sharing or profit sharing arrangement.

D. Oil and gas

Myanmar and Cambodia are expanding their hydrocarbon production in an effort to capitalise on ever-rising domestic and regional demand. Myanmar has about 80 oil and gas blocks to exploit on its territory. Myanmar has been liberalizing its oil and gas industry starting from 2011 and began holding licensing rounds for international investors. In addition, infrastructure investments in oil terminals and pipelines are also in the agenda, since Myanmar also wants to position itself as an oil and gas trade hub between the Middle East and China.

Cambodia has sought to promote investment the country's oil and gas resources in order to enhance economic growth, provide employment opportunities and generate revenue.

Over the past few decades Vietnam has emerged as an important oil and natural gas producer in South East Asia. Vietnam has boosted exploration activities, allowed for greater foreign company investment and co-operation in the oil and gas sectors, and introduced market reforms to support the energy industry. Vietnam and several of its neighbours have reached agreements in principle in the past to conduct joint exploration for oil and natural gas resources in the area.

India's Trade with CLMV Countries

Table2: India's trade with CLMV countries viz-a-viz ASEAN

Values in US\$ Million	NOVEMBER, 2014	NOVEMBER, 2015	Growth in %	APRIL,2014 - NOVEMBER,2014	APRIL,2015 - NOVEMBER,2015	Growth in %
CLMV Countries	62.90	72.39	15.09	593.50	570.42	-3.89
ASEAN	892.55	548.21	-38.58	4918.32	4579.78	-6.88
% Share of CLMV	7.05	13.21		12.07	12.46	

Source: DGCI&S, Government of India

News in Focus

➤ India, Malaysia to deepen defence cooperation, expand trade (Roundup)

India and Malaysia on Monday agreed to deepen defence and security cooperation and expand bilateral trade while signing three accords in the areas of cyber security, culture and infrastructure.

More Information >> Source: http://www.business-standard.com/article/news-ians/india-malaysia-to-deepen-defence-cooperation-expand-trade-roundup-115112300838_1.html

➤ Malaysian firms keen to invest in road projects

Facing difficulties in attracting private firms in road construction under public private partnership, Rajasthan government received a shot in the arm as Malaysian companies have agreed to put in money for developing 4,000 km road.

More Information >> Source: <http://timesofindia.indiatimes.com/city/jaipur/Malaysian-firms-keen-to-invest-in-road-projects/articleshow/50277248.cms>

➤ India PM Modi's Singapore visit: 7 things about the trip

India Prime Minister Narendra Modi wrapped up his two-day visit to Singapore on Tuesday (Nov 24) evening.

More Information >> Source: <http://www.straitstimes.com/singapore/india-pm-modis-singapore-visit-7-things-about-the-trip>

➤ **From Delhi to Thailand, by road? Nitin Gadkari says possible in 2016**

When it's about highways, Nitin Gadkari -- the 'flyover man from Maharashtra' -- seems to know the way to take it to a new high and his latest is linking Delhi with Thailand for an over 4,000-km road trip in 2016.

More Information >> Source: <http://economictimes.indiatimes.com/news/economy/infrastructure/from-delhi-to-thailand-by-road-nitin-gadkari-says-possible-in-2016/articleshow/50255703.cms>

➤ **RCEP talks: India submits first round of offers on goods**

India has finally submitted its first round of detailed offers to dismantle tariffs on goods as part of the ambitious Regional Comprehensive Economic Partnership (RCEP) being negotiated between 16 countries.

More Information >> Source: <http://www.thehindubusinessline.com/economy/rcep-talks-india-submits-first-round-of-offers-on-goods/article7896740.ece>

Tender information in ASEAN

Prior information Notices

Title	Deadline
Supply and Install New Check Valves and Gate Valves	06-Jan-2016
Construction materials and supplies	08-Jan-2016
Supply of Laboratory Equipment	05-Jan-2016
Addition And Alteration To 2-Storey Commercial	11-Jan-2016
Purchase of Equipment for Specific Projects.	08-Jan-2016
Supply and delivery of electric forklift	11-Jan-2016
Provision of Implementation and Development of Oil and Gas Lifting Monitoring System.	14-Jan-2016
Delivery of mini truck & truck	06-Jan-2016
Purchase of motor vehicle (passenger van)	08-Jan-2016
Purchase of Hand Wheel Valve for Use Sampling.	17-Jan-2016

For more contract notices, Please register with Tenderinfo and follow the link:

<http://www.tendersinfo.com/searchresult#>

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