

India's Strategy for Economic Integration with CLMV

Dr. RAM UPENDRA DAS



सत्यमेव जयते

**Department of Commerce
Ministry of Commerce and Industry
Government of India**

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Rajeev Kher, IAS



वाणिज्य सचिव
भारत सरकार
नई दिल्ली-110 011
**COMMERCE SECRETARY
GOVERNMENT OF INDIA
NEW DELHI-110 011**

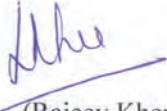
FOREWORD

It is now a common knowledge that Regional Value Chains (RVCs) in different sectors act as a driver for regional economic integration, especially given the experiences in the South-east and East Asian regions. These are accomplished through private sector- driven flows of trade in goods, trade in services, FDI and movement of natural persons facilitated by conducive policy regimes. Such endeavours also unleash a dynamic process that creates positive developmental pressures on forging better infrastructural linkages on an inter-country basis.

The regional value chains, though present, have somewhat bypassed the economically-dynamic Cambodia, Laos, Myanmar, and Vietnam (CLMV) region when compared to the rest of the ASEAN. The situation in India and the CLMV is not very different from the point of view of RVCs. The CLMV region can also be viewed as offering to India, significant factor cost advantages and labour cost arbitrage possibilities, in India's quest for developing regional value chains. Given this and the development deficit in CLMV countries along with India's need to create advantageous regional value chains in different sectors, it is only natural that India focuses on the geographically proximate CLMV region in terms of economic integration.

In such pursuits, the present study tries to bring about an alignment of India's commercial interests with CLMV's Policy Focus. It provides a rationale for India-CLMV economic integration; identifies sectors with untapped potential complementarities in the realms of trade in goods, trade in services, investment and skills – adopting an integrated approach for employment generation in CLMV and India through focus on manufacturing; and makes relevant policy recommendations.

It is hoped that this study would be considered as an important contribution to the existing knowledge on the subject and would be found valuable by policy-makers, businesses and academia, alike.


(Rajeev Kher)

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About the Study

Historically, India and Cambodia, Laos, Myanmar and Vietnam (CLMV) region have had civilizational, cultural and economic relations since ancient times. People, goods, capital and ideas have travelled between India and the CLMV countries over a long period. However, these linkages today are characterized by untapped potential. It is noticed that while there is a developmental divide between the CLMV region and the rest of the ASEAN region, India's *Look East* or *Act East* policy has also not focused adequately enough in terms of India-CLMV economic integration.

The ASEAN region as a whole is characterized by the presence of strong production networks and Regional Value Chains (RVCs) both within and outside the ASEAN. On the other hand, India is almost left out of any significant regional value chains in her neighbourhood. The regional value chains have somewhat bypassed the CLMV region too when compared to the rest of the ASEAN.

Considering that RVCs have emerged as important vehicles for regional economic integration, they need to be facilitated with adequate policy responses so as to achieve developmental imperatives of employment generation, poverty alleviation and improving quality of life.

The study in this context, by way of a major contribution to the subject, provides analytical and empirical basis for India's economic integration with the CLMV region and suggests certain policy steps that could harness the vast commercial and developmental potential that this relationship offers.

About the Author

Dr. Ram Upendra Das is Professor at Research and Information System for Developing Countries (RIS), New Delhi.



Department of Commerce
Ministry of Commerce and Industry
Government of India