Japan and other Asian countries need to consider trade policy options in a "life without Doha" environment. Given Japan's rising economic exchanges with BIMSTEC countries, closer economic engagement between BIMSTEC and Japan becomes a natural phenomenon. This consensus has emerged at the third international Conference on 'Building a New BIMSTEC – Japan Comprehensive Economic Cooperation' at Tokyo on December 3, 2007. The conference organized by The Centre for Studies in International Relations and Development (CSIRD), in association with Asia Forum Japan (AFJ), also strongly felt that such deepening of economic links required a fuller evolution and maturing of BIMSTEC with a distinct regional economic identity. This makes it important to build awareness within the BIMSTEC countries about the immense gains that can be realized by a fusion of individual initiatives into a regional effort, the participants in the conference observed.

The Conference was the third in a series of Conferences on the subject launched by CSIRD in April 2005 and conducted in collaboration with noted think-tanks in BIMSTEC countries. The previous Conferences were held in Kolkata (December 2005) and Bangkok (December 2006).

The conference was held in collaboration with prominent Think Tanks of BIMSTEC countries, and supported by the Sasakawa Peace Foundation (SPF), Tokyo. This was aimed at contributing to the process of regional economic integration between BIMSTEC countries and Japan, and to provide inputs for the forthcoming Second BIMSTEC Summit to be held in India in 2008.

The overwhelming consensus emerging from the Conference was that people-to-people contact among BIMSTEC countries is a necessary instrument for facilitating integration of BIMSTEC as well as with Japan. Such contact and the concomitant integration will also motivate Japanese economic interest in BIMSTEC. In this regard, the Track-II initiative being currently implemented by CSIRD and its partner organizations assumes considerable significance. The Conference urged further consolidation of the momentum gathered at the first International Conference held at Kolkata in December 2005 and the second International Conference held at Bangkok in December 2006. Participants also noted the progress in disseminating the research findings and policy advocacy made through country-level Dialogues under the aforesaid project, organized at Dhaka in July 2006 and at Colombo in August 2007.

The Conference was marked by interesting discussions, deliberation and exchange of opinions on the future prospect of BIMSTEC in general and of BIMSTEC–Japan cooperation in particular by knowledgeable and eminent scholars and experts from Bangladesh, India, Japan, Thailand, and Sri Lanka. Over 70 senior experts from think-tanks, governments, universities, business enterprises, media and other stakeholders from different BIMSTEC countries and Japan, and also other countries and multilateral development organizations, such as the United Nations, took part. The programme was also attended by representatives of Japan’s leading chambers of commerce and investment promotion organizations, BIMSTEC Centre, Bangkok, and the Asian Development Bank Institute (ADBI), Tokyo. The representatives of Foreign Missions of BIMSTEC nations and of other...
countries in Japan were also present. The participants also had luncheon meeting with Japan’s DIET members on December 4, 2007, and also called on senior officials of METI and MOFA.

The inaugural session was addressed by Mr. Arjun Asrani, Chairman, India – Japan Forum and former Indian Ambassador to Japan, and Dr. BS Malik, President, CSIRD. The book, edited by Dr. Wisarn Pupphavesa, Advisor, TDRI, titled "BIMSTEC – Japan Comprehensive Economic Cooperation: A Step in the Future", was released in the inaugural session. The message of the Indian External Affairs Minister, Mr. Pranab Mukherjee, was read out to the participants.

The Conference deliberated on the economic, strategic and business perspectives in the context of BIMSTEC-Japan comprehensive economic cooperation with special reference to the integration of trade and investment regimes against the background of a rising Asia as a global economic powerhouse. Issues related to trade and investment liberalization among BIMSTEC nations were extensively discussed and debated. It took note of the potential gains that such liberalization could yield and the significant role that Japan can play in promoting trade through capacity building, particularly in the areas of infrastructure and technology. Based on Computable General Equilibrium (CGE) models, studies specially prepared for the Conference indicated that an FTA between Japan and BIMSTEC would have a modest overall impact, with Thailand being the primary beneficiary.

Developing BIMSTEC partners would also gain from market access, which as of now is often constrained by trade and non-trade distortions. The most significant gain would, however, be in the area of agriculture, which has often queered negotiations for other items. Most importantly, a BIMSTEC-Japan FTA would make a positive impact on removal of poverty. For the smaller economies, BIMSTEC-Japan cooperation could become, as the CGE modeling explained, the most important happening outside the realm of trade policy (e.g., technology transfer).

It was also indicated that an FTA between BIMSTEC and Japan would be a ‘win-win’ for Japan and for BIMSTEC members alike in the fields of energy, technology, industry, and infrastructure development. The LDCs in BIMSTEC in fact stand to gain the most from enhanced cooperation between BIMSTEC and Japan. Japan’s benefits would be no less as such an agreement could open for Japan wider and newer areas where it can offer help. Nevertheless, a combination of trade and aid policies between BIMSTEC and Japan has to consider issues of governance and the best practice towards harmonization (MRA) of trade in services.

However, the participants agreed that efforts to liberalize trade and investment within the region must proceed after ensuring that such attempts can positively influence poverty and unemployment in the region. Indeed, there was a clear consensus that integration within BIMSTEC had to be stepped up. Inclusion of Japan within the BIMSTEC would boost trade comple-

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<th>Country</th>
<th>FOB Imports</th>
<th>FOB Exports</th>
<th>FOB Balance</th>
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SOURCE: JETRO
mentarities in the region while increased competition would force higher standards and quality in production and service.

It was felt that a fully integrated BIMSTEC would be a stepping-stone to pan-Asian integration. However, given the recent proliferation of bilateral and regional cooperation arrangements in the Asian continent, it was also appreciated that the BIMSTEC nations must put more emphasis on functional consolidation by gradually moving towards a common framework of principles, practices and procedures.

The wide-ranging discussions identified reduction of trade costs as a key step for facilitating integration. In this regard, lowering of transport costs by developing a stable and integrated transportation network covering road, rail, air and sea in the region becomes a matter of paramount importance. The transportation network linking various countries has to progress after taking into consideration its socio-economic and ecological ramifications. Lowering of transport costs and trade barriers, as well as adoption of clear and transparent procedures and regulatory frameworks, is recognized as vital for attracting Japanese FDIs in the infrastructure sector.

There are also immense scopes for cross-border infrastructure projects, particularly in energy and transportation, in the region. It was also agreed that the integration would get a big boost from the opening of a BIMSTEC Secretariat. It could provide accurate information on vital procedural issues relating to investment (e.g. intellectual property right protection, country-specific business and managerial practices, among others).

The demand for energy in the BIMSTEC region is going to increase at an exponential rate. Almost all the member countries excepting Bhutan and Myanmar are heavily energy deficit. In such a situation, Japan’s know-how for renewable energy resources, apart from its technical and investment assistance, would be of great assistance to the BIMSTEC countries. The participants broadly identified energy, tourism, science & technology, education, disaster management, infrastructure and cultural and human resources development as some of the major areas that offer opportunities for fruitful cooperation within the region and with Japan. The conference also debated some strategic issues relating to Asian economic integration. It was also felt that within BIMSTEC there is a strong possibility of the emergence of well-knit production networks of small enterprises, which can further access larger Japanese and other global production networks.

The Conference reiterated its firm belief that increased interaction between business associations and chambers of commerce within the region would enhance BIMSTEC cooperation through the evolution of wider business networks. Such interactions are also certain to facilitate Japanese business interest and long-term commercial involvement with the region. It was felt that compilation of best managerial practices of BIMSTEC countries and Japan will be useful for greater interactions among the business enterprises.

The Conference strongly urged the governments of the region to consider the recommendations made by the BIMSTEC Network of Think Tanks (BNTT). It was also decided that the Conference could meet again in 2008 and make presentations based on ongoing research work. Participation of representatives of the BIMSTEC countries and of Japan in these conferences will help further the ideas generated by the Network through mutual discussions. The Conference acknowledged the excellent arrangement and hospitality extended by the host organization – AFJ, Tokyo – and the generous support extended by the Sasakawa Peace Foundation, Tokyo to this initiative.

The Conference felt that the Report of the Conference should be submitted to the BIMSTEC Working Group (BWG), to the Thailand Government, through the Thailand Development Research Institute (TDRI), to the Japanese government through AFJ/SPF, and to the Indian Government by CSIRD.
Suzuki India Ltd (MSIL) and Mundra Port and Special Economic Zone Ltd (MPSEZL) today signed an agreement for a mega car terminal, expected to be operational by December 2008, at Mundra in Kutch district of Gujarat.

The agreement was signed by Mr. Shinzo Nakanishi, Managing Director and CEO, MSIL, and Mr. Gautam S. Adani, Chairman and MD, MPSEZL, at Mundra Port in the presence of senior officials from MSIL & MPSEZL. The initial investment in the project is expected to be around Rs 100 crore. Of this, MPSEZL will invest Rs 60 crore in setting up infrastructure at the port. MSIL will invest Rs 40 crore to set up a Pre-Delivery Inspection (PDI) centre at the port premises. MPSEZL is planning to augment the port infrastructure in due course of time, a company spokesman said.

Mr. Nakanishi said Maruti Suzuki is ready to play a much greater role in Suzuki’s global operations. “We have the technology and skills to build top quality cars for the international market. But our export ambitions need infrastructure support on the ground, and this initiative will be a big step forward in filling that gap.”

Mr. Adani said the port would develop cost-effective Roll-on Roll-off (RORO) terminal for facilitating automobile export by Maruti Suzuki, the largest car manufacturer in India. “Our RORO terminal at Mundra will provide cost competitive support to Indian automobile industry for international trade and our aim is to make Mundra a hub for automobile exports. The excellent draft at Mundra will allow berthing of the largest car carriers and turn them around in the least possible time.

“The Maruti Suzuki’s exports have grown significantly this year, and will touch 50,000 units in 2007-08 (nearly 28 per cent growth). The company currently exports from Mumbai Port. Maruti Suzuki will be launching its new model, A-Star, by the end of this calendar year. With this, exports are likely to go up significantly. The company plans to export two lakh cars annually to Europe and the rest of the world by the year 2010.

Maruti Suzuki will commence export operations at Mundra Port from January 2009. In view of increasing export volumes, it will continue exports from Mumbai as well.

The new terminal will have a car stockyard spread over 35 acres, and a dedicated “buffer area” for cars to be parked just before loading on the PCC (Pure Car Carrier) ships. The car terminal’s RORO berth would speed up the loading process and minimise the chance of damage to cars.

This mega car terminal’s PDI Centre, spread over 7,500 square metres, would conduct the final quality check before the cars are loaded on ships for export. The Rs 40 crore being invested in this facility is part of the Rs 9,000-crore investment plan announced by MSIL and Suzuki Motor Corporation (SMC) of Japan.

MSIL, a subsidiary of SMC, is the leader in passenger cars and MPVs in India, accounting for almost 55 per cent of total industry sales. It offers 10 models, ranging from the people’s car Maruti 800 to the stylish hatch-back Swift, SX4 Sedan and luxury SUV Grand Vitara. Listed on the BSE and NSE, the company had a net sales turnover of $3.25 billion and net profit of $347 million 2006-07.

Mundra Port and SEZ is India’s largest private sector port and SEZ, having handled over 20 million tonnes of wide range of cargo including bulk, break bulk, liquid, containers as well as automobiles during first nine months of 2007-2008. The SEZ which is planned over 32,000 acres of land will be self-contained with power, water, social infrastructure, airport, railway line, banking services etc and will house variety of manufacturing and servicing units.

(Extracts from The Hindu Business Line, feb 21, 2008)
market, as most Japan-based companies are moving away from their exclusive dependence on Chinese vendors for IT off-shoring needs, Mr Deepak Khosla, Senior Vice-President-Asia Pacific, Patni told Business Line.

“Currently, five per cent of overall revenues for Patni comes from Japan; we expect this to go up to nine per cent by 2011,” Mr Khosla said.

Japan is the second largest economy in the world. According to some estimates, the ICT market in Japan is worth about $160 billion. Though it is one of the most advanced nations in information and communication technology, Japan still remains a market to be tapped for Indian off shoring providers, mainly due to the language barrier. Traditionally, Japanese companies have been outsourcing their IT requirements to Chinese vendors.

Change in trend

However, this trend could change soon as most Japanese companies are expanding their presence into overseas geographies, according to Mr Kholsa. “Chinese IT vendors do not have significant servicing capabilities in these new geographies. So Japanese firms are looking to engage with IT partners who have a global footprint; firms such as Patni perfectly fit the bill,” he added.

Though Chinese IT companies are staunch competitors for Indian counterparts in the contracting market, Mr Khosla believe that Indian companies are better when it comes to process maturity and the ability to handle work outside China.

Japanese multinationals such as Melco and Toyota, earn anywhere upwards of 40 per cent revenue from overseas markets, analysts feel.

But how does Patni work around the language barrier? Explains Mr Khosla, “We employ Japanese trainers who educate our workforce in Japanese culture and language. So this gives us a ready pool of about 420 professionals who are well equipped to service Japanese clients.” Patni has two global development centres that cater exclusively to Japanese clients.

Yushiro Chemical Industry plans new subsidiary in India

New Delhi, Feb. 6 Japan-headquartered Yushiro Chemical Industry, a manufacturer of metalworking fluids, is planning to set up a wholly-owned subsidiary in India with a view to further expand its business with clients such as Toyota Kirloskar Motor, Suzuki Powertrain India, Maruti Suzuki, Honda Siel and Yamaha Motor India, amongst others.

The company, in November 2005, has a joint venture company in Chennai with its Korean partner Buhmwoo Chemical Industry Co Ltd, to cater to the automotive manufacturers located in India such as Hyundai Motors India Ltd. Buhmwoo Chemical Industry holds 76.52 per cent stake in the joint venture ‘Yushiro Buhmwoo India Co Pvt Ltd’, while Yushiro Chemical Industry has 23.48 per cent shareholding. However, Yushiro does not have any technology collaboration license agreement or technical collaboration agreement with the joint venture company.

Yushiro is now proposing to set up a company in northern India for supply to its clients products such as metal-working oils and fluids (cutting and grinding oils and fluids, forming oils and fluids and surface treatment agents); products for hi-tech area (cutting oils and fluids for silicon/crystal/ceramics and cutting oils and fluids for non-metal materials; and products for related areas, sources said.

Initially, Yushiro India would function as a sales company to import and sell the products in Indian market until they set up production facility and start commercial production in the country.

Under the current policy, a prior approval from the Foreign Investment Promotion Board (FIPB) is required under Press Note 1 (2005 series), since the proposed company in India would manufacture the products in the same field as the products manufactured by YBI.

Yushiro has already obtained a ‘no objection certificate’ from Yushiro Buhmwoo (India) co Pvt Ltd, sources added.

Indian pharma cos making inroads into Japan

New Delhi, Feb. 6 India-headquartered Yushiro Chemical Industry, a manufacturer of metalworking fluids, is planning to set up a wholly-owned subsidiary in India with a view to further expand its business with clients such as Toyota Kirloskar Motor, Suzuki Powertrain India, Maruti Suzuki, Honda Siel and Yamaha Motor India, amongst others.

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(Extracts from The Hindu Business Line Feb 7)
reeling under the burden of heavy healthcare costs, Dr P.V. Appaji, Executive Director, Pharmaceutical Export Promotion Council (Pharmexcil), told Business Line here. “Japan-directed trade from India increased after the Japanese Government relaxed norms making a tie-up with Japanese firm not mandatory. The cost-advantage and credibility is also favouring Indian exports,” he said. In 2006-07, the pharma exports to Japan stood at $74.5 million. “But during the last one year, there has been great interest in Indian formulations or Active Pharmaceutical Ingredients (APIs) from Japan,” he said.

Though the exact export value for the last financial year is yet to be tabulated by the council, industry sources estimate that the growth could be between 10-15 per cent.

“Japan is an important traditional market. If it is opening up, it could be a major development for formulations business,” Mr M. Narayana Reddy, President, Bulk Drug Manufacturers Association (BDMA) of India, said.

The Chairman and Managing Director of Hetero Drugs Ltd, Dr B.P.S. Reddy, said “The Japanese market would offer good space to Indian pharma companies but the margins might not be very attractive.”

**Generic product growth**

The generics products, which will find its way into the Japanese market, are expected to grow from 10 per cent to about 30-35 per cent, he felt. Hetero Drugs already has a couple of registrations in Japan.

The Managing Director of Glochem Industries, Mr K. Subba Rao, said the penetration of generics products is very low and is set to grow rapidly as the Japanese market can be lucrative in the beginning. Glochem got regulatory approval for Amlodipine Besilate (of which the company is the world’s largest producer) in Japan in March 2008.

(Extracts from The Hindu Business Line Feb 15)

**Lupin gets approval for 10 generic drugs in Japan**

Mumbai, April 24 Lupin Ltd's subsidiary in Japan, Kyowa Pharmaceutical Industry Co Ltd, has received approvals for 10 generic drugs from Japan’s Ministry of Health & Labour Welfare. The company expects to these products in Japan in July 2008.

Kyowa’s expanded product basket will now include ten more products including: Amlodipine (a cardio-vascular (CV) medicine), Risperidone (a brand-extension, central nervous system –CNS - medicine), Cabergoline, Milnacipran and Tandospirone also CNS medicines, Meloxicam (a non-steroid anti-inflammatory drug), Fluticasone (line extension for pediatrics; anti-asthma), Quazepam (line extension; CNS), Ethyl Icosapentate and Maprotiline (line extension; CNS), a Lupin note said.

The combined market size of these molecules in Japan is about $2.65 billion as per IMS 2007. Lupin had acquired Kyowa in October 2007 and at present holds over 90 per cent in the Japanese company. (BL Feb 25)

**Rs. 7,074 crore Japanese loan for various projects**

NEW DELHI: Japan on Monday approved a massive loan package of about Rs. 7,074 crore in the form of soft loan assistance for various projects including Delhi and Kolkata Metro, infrastructure project in Tamil Nadu, transmission project in Haryana and road projects in Hyderabad.

The areas to be covered under the new loan package include power, transportation, water supply and environment, according to an official release by Japan Embassy.

Japan had already committed Rs. 1,345-crore loan to India in August last. With the fresh assistance, the total soft loan to the country this financial year stands at Rs. 8,582 crore. Japanese Ambassador to India Hideaki Domichi and Joint Secretary in the Finance Ministry Kumar Sanjay Krishna exchanged notes to formalise the agreement to this effect here on Monday. These concessional loans will be made available through the Japan Bank for International Cooperation (JBIC) at 1.2 per cent annually and will have the repayment period of 30 years, including the grace period of 10 years.

The package covers seven large-scale projects, including the second phase of the Delhi Mass Rapid Transport System project (about Rs. 2,864 crore), the Haryana Transmission System project (about Rs. 830 crore), the Uttar Pradesh Participatory Forest Management and Poverty Alleviation Project (about Rs. 530 crore), the Tamil Nadu Urban Infrastructure project (about Rs. 339 crore) and the Kolkata East-West Metro Project (about Rs. 255 crore).

It said Phase-II of the Delhi Metro Project would continue to receive financial assistance from Japan. Following the successful implementation of the Delhi...
BIMSTEC ministerial meeting on poverty alleviation

BIMSTEC, the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation will be holding a ministerial meeting on poverty alleviation in Dhaka, Bangladesh, on July 9. Burma, as a member of BIMSTEC, will attend the meeting, but there is no information yet on which Burmese Minister will be present. A few other issues will be discussed at the meeting, including food security, the environment, and climate change.

The report also said that the officials meeting will discuss a mechanism for the exchange of information on best practices to tackle poverty, achieve the Millennium Development Goals, and explore ways and means to develop project-based collaboration among the member countries.

(Extracts from Daily News, Sri Lanka, June 19, 2008)

Indian Diaspora in Thai-India Cooperation

Over the last few years Thai-India economic and commercial relations have rapidly expanded with bilateral trade increasing from US$1.05 billion in 2001 to US$4.7 billion in 2007. The two countries are identifying different mechanisms to further expand the scope of economic cooperation either through the bilateral FTA or enhanced cooperation in the tourism sector. In this context, the Indian Diaspora in Thailand has emerged as an important factor in further strengthening the bilateral economic relations. According to the L M Singhvi Committee report on Indian Diaspora, the total population of Indians in Thailand stands at 85,000, which is 0.07 percent of total Thai population. In this, the number of persons of Indian origin (PIOs) is 70,000, while there are 15,000 non-resident Indians (NRIs).

Among Indian groups, Sikhs are the most prosperous community in Thailand. They are involved primarily in the textile sector, while the Tamil Muslims and the Bohras are engaged in trading in precious stones and high-value technology goods respectively. There are many Indians in the service sector in Bangkok, especially those who hail from Gorakhpur in Uttar Pradesh. However, the number of Indians working in information technology and other high-skilled jobs is increasing. Thai Indians are a small but important economic community in Thailand. The Director of the Board of Trade of Thailand, Satish Sahgal, is of Indian origin and the fact that he occupies such an important post is clear evidence of the importance of Thai Indians in the national business and economy of Thailand.

Their contribution to the national economy has come from their involvement in four main sectors. First, Thai

Metro project, the Kolkata Metro Project would also receive the assistance in this package. “The main objective of loan assistance is to support India in establishing physical infrastructure to boost and sustain economic growth,” the release stated.

(The Hindu, Mar 11)

Orchid Chemicals sets up subsidiary in Japan

Orchid Chemicals & Pharmaceuticals has set up a wholly-owned subsidiary in Japan. Christened Orchid Pharma Japan K K (Orchid Japan), it will be headquartered in Tokyo. The subsidiary will drive Orchid’s foray into the high potential and growing Japanese generics market. Orchid hopes that the Japanese generics market will grow at a rapid pace in the coming years due to an increasing recognition in the government and healthcare sectors of the need for quality generic medicines. The generics market in Japan at present is estimated at $2.5 billion. It could double in five years. Orchid, with its comprehensive range of antibiotic and lifestyle products, is ideally positioned to meet a broad spectrum of acute and chronic therapy needs of the growing Japanese healthcare market, says a release from the company.

The entry into Japan follows Orchid’s highly successful emergence in the U.S. antibiotics generics market as a leading cephalosporin generics player. Orchid is set to achieve a similar presence in the European antibiotics generics space for which over 15 dossiers have already been filed with the European regulatory authorities, the release says. “We expect the Japanese generic market to grow rapidly over the next few years. We expect to be among the leading players in this market with a turnover of about $100 million in five years. We are also happy that we could get on board a top management team at Orchid Pharma Japan which has the drive, expertise and experience to lead Orchid to an exciting future in Japan,” the release quoted K. Raghavendra Rao, Managing Director of Orchid, as saying.

Orchid Pharma Japan would endeavour to deliver cost-effective high quality drugs to the Japanese healthcare system, fully leveraging Orchid’s capabilities in a wide range of antibiotic and lifestyle medicines, the release quoted Kunihiko Iwata, President and Chief Executive Officer, Orchid Japan, as saying.

(The Hindu, Apr 11)
Indians are involved in the Thai tourism sector. There are more than thirty Indian restaurants in Bangkok which offer a multiplicity of choice in cuisines to tourists visiting Thailand. Second, they provide a kind of stable retail base, especially in the textile sector. Third, they contribute to the strengthening of the service sector by providing much needed high-skilled labour. These people mostly work in multinationals in Bangkok and other cities. In this way they also contribute to the growth of Thailand’s export sector. Fourth, Indians in Thailand have helped in the country’s industrial development by setting up of big-ticket projects. Birla Industries established their base in Thailand some 32 years ago, Indo-Rama also entered Thailand some 12 years ago.

Apart from these direct contributions Thai Indians also indirectly help in human resource development. Thai Indians are contributing to the strengthening of India-Thailand bilateral relations through various means. First, in 2007, the Northeastern Development Finance Corporation (NEDFC), India, signed a MoU with the India-Thai Business Forum headed by Satish Sehgal and the Indo-Rama Thai Company headed by Vinod Gupta. This MoU aims at bringing India’s Northeast region closer to Thailand by increasing the direct trade between the two regions. Sehgal was instrumental in the signing of this MoU. Second, it is estimated that roughly more than 25,000 students from Thailand travel to India for educational purposes.

With the greater movement of people from both sides, it helps in a better mutual understanding. It was indicated by the Singhvi Committee that Thai Indians can play a possible role in the BIMSTEC and Mekong Ganga Cooperation. According to this report, Thai Indians want increased interaction between the Thai Board of Investment (BOI) and Indian chambers of commerce like FICCI to promote understanding of markets. Thai Indians have great potential to act as catalysts for strengthening India-Thailand relations through their economic endeavours and this potential must be tapped.

(Extracts from article by India Post, June 8, 2008)

**Bangladesh-Myanmar road planned**

Work on a proposed 15.5-mile long Bangladesh-Myanmar direct road link is expected to start next year, a Bangladeshi official said. "We hope to start the construction works in nine months to one year,” Communications Secretary Mahbubur Rahman told The Daily Star, the newspaper. The government, which will finance the entire project, expected to cost about $31 million, is already searching for a consulting firm to do a feasibility study.

The highway, when completed, will set up the first road link between the two neighbors for bilateral trade and also help connect Bangladesh at a later date with the Asian Highway to Thailand, Malaysia, Singapore and China, the report said. China can also use the road link to import products through Bangladesh’s southeastern Chittagong Port, the Press Trust of India reported. The highway will begin at Balukhali in Cox’s Bazar and terminate at Bawlibazar in Rakhain state in Myanmar, formerly called Burma. Myanmar is Bangladesh’s third largest export destination for pharmaceutical products, the PTI report said quoting officials.

(Extracts from The Daily Star, June 3, 2008)

**India, Burma sign Kaladan agreement**

India and Burma has signed the agreement and two protocols of the Kaladan multi-modal transit transport project. The pact was inked in the presence of vice-president Hamid Ansari and visiting vice-senior-general Maung Aye of Burma. Vice-senior-general Maung Aye, who is the vice-chairman of the State Peace and Development Council, arrived here in the morning for a five-day visit to India. He is leading a high-level delegation, including members of the business community.

The Kaladan project will facilitate shipment of goods to and from Sittwe, from where the goods can be sent to and received via road from the Northeastern Indian states. It will obviate the need for transiting through Bangladesh. It will involve the development of Sittwe port and construction of a road linking Kalewa in Burma to the border town of Moreh in the Northeastern region of India.

India and Burma signed a double taxation avoidance agreement on the occasion. Both sides agreed to take steps to open up the existing border points in the Northeast states for regular trade.

The delegation-level talks between the Burmese general and vice-president Ansari centred around economic cooperation, connectivity, security and energy. Burma’s roadmap for a new constitution, referendum in May and elections in 2010 also came up for a mention. Vice-president Ansari reiterated India’s support to the efforts of UN Secretary-General’s special envoy, Prof Ibrahim Gambari and conveyed that India did not believe that sanctions were helpful and that it may well prove to be counterproductive. Calling Burma as a natural bridge between Asean and Saarc, the vice-president reiterated, the mutual desire of India and
between prime minister Manmohan Singh and visiting Myanmar foreign minister Nyan Win. According to Indian foreign ministry spokesman Navtej Sarna, the foreign minister was told that there was "greater urgency in bringing political reform and national reconciliation" and that "this process had to be broad-based to include all sections of society including Aung San Suu Kyi and various ethnic groups in Myanmar." At the same time the prime minister also affirmed India's desire to build on the two sides' already strong relationship.

India's approach has attracted criticism from both outside and within India. There is widespread local support for Suu Kyi and her National League for Democracy party, judging by the well-attended protest rallies held in New Delhi coinciding with Nyan Win's visit. All of India's major political parties, including Congress, the Communists and Bharatiya Janta Party, have called on the government to change its policy on Myanmar. Civil society groups have joined this call, especially those representing ethnic groups located in India's northeastern regions, which share a border with Myanmar.

In late December, it was reported that India had quietly stopped all arms sales and transfers to Myanmar. Although the policy was not officially announced, a Washington Post article cited "diplomatic sources" who said that it "had been privately confirmed by New Delhi to top US officials". If so, it would represent a major turn-around in policy since military contacts had increased during 2007, with India offering large quantities of military hardware to the junta.

India is currently one of Myanmar's two main military hardware suppliers, the other being China. India came under sharp media criticism in 2007 for its sale of weapons that would possibly violate European Union arms embargoes now in place against Myanmar. In August, Myanmar took delivery from India of two BN-2 Defender maritime surveillance aircraft. The deal was done over the objections of the British government, which originally sold the aircraft to India.

India voted in favor of a resolution at the United Nations Human Rights Council condemning the regime's violent crackdown and calling for the release of detained pro-democracy leader Aung San Suu Kyi. However, India's support for the resolution was watered down by an official reservation that the final text of the statement was not in accordance with India's preferred approach of constructively engaging Myanmar.

India gained some mileage out of a January 2 meeting between prime minister Manmohan Singh and visiting Myanmar foreign minister Nyan Win. According to Indian foreign ministry spokesman Navtej Sarna, the foreign minister was told that there was "greater urgency in bringing political reform and national reconciliation" and that "this process had to be broad-based to include all sections of society including Aung San Suu Kyi and various ethnic groups in Myanmar." At the same time the prime minister also affirmed India's desire to build on the two sides' already strong relationship.

The Indian government earlier this week committed US$120 million to rebuild Myanmar's western Sittwe port and construct road and water links through the facility, which will connect Myanmar's western Arakan State to India's northeastern state of Mizoram. The build-transfer-use Kaladan Multi-Modal Transit Transport Project comes on top of a previous $27 million investment to improve the 160-kilometer road from Mizoram to Kalewa, in Myanmar's Sagaing division, northeast of Sittwe.

Final agreement for the Sittwe project, which has been under consideration for more than six years and will take nearly three years to complete, is expected to be signed during a visit of high-level officials from Myanmar to India in April.

The agreement highlights divergent strains in India's policy towards Myanmar. Since the Myanmar military regime's crackdown last year on peaceful street demonstrators, New Delhi has gently indicated its support for political change and national reconciliation in its neighbor. That position was seemingly underscored in December by India's unofficial halt of arms transfers to Myanmar. Yet India's state-owned companies continue to sign business deals with the regime and the government, while tacitly supporting political change, has declared that it does not support Western-led new sanctions, preferring dialogue and negotiations to promote change.

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In July, a report by UK-based rights group Amnesty International and several other EU nongovernmental organizations condemned India for the possible sale of advanced light helicopters to Myanmar. The aircraft, made by Hindustan Aeronautical Ltd. (HAL), can be equipped with rockets and machine guns, and human rights groups fear they will be used against insurgent ethnic minority groups and possibly future street demonstrators. The report noted that the weapons and many of the systems within the helicopters originated in EU countries and thus could violate the arms embargo.
In a November 2006 meeting between Indian Defense Secretary Shekhar Dutt and Myanmar Vice Senior General Maung Aye, India offered the helicopters along with T55 tanks it was retiring from its inventory, 105mm artillery pieces, armored personnel carriers, ammunition and avionics upgrades for Myanmar’s Russian and Chinese-made aircraft. Although it is unclear whether any of this hardware has reached Myanmar, reports indicate that shipments of aircraft, artillery, armored personnel carriers, tanks, ships, small arms and ammunition are expected to be sent in 2008. During the same meeting, India also offered counterinsurgency training to Myanmar’s military.

Rights groups have in the wake of last year’s bloody crackdown called for a United Nations Security Council-enforced arms embargo against Myanmar. Support for such a measure is high in the United States, although any resolution would have to overcome likely vetoes from China and Russia, which have in the past come to Myanmar’s defense. India’s quiet halting of arms transfers may be a way of staving off a full-blown arms embargo and resuming transfers when the international clamor has died down. Indeed India had for years sent arms, ammunition and other military equipment to Myanmar with very little international criticism or attention until 2007.

Many of the reports concerning sales and transfers of Indian military equipment have been linked to joint operations along the India-Myanmar border against insurgents based on the Myanmar side of the border. Myanmar’s northwest Sagaing Division and Chin State insurgencies are small, but the army has shown a marked lethargy and lack of commitment in its suppression operations.

At the same time, India has made no shift in its economic policy towards Myanmar, which critics say is providing the ruling junta with much-needed cash flow to stay financially afloat and buy weapons. For instance, during Nyan Win’s recent visit to New Delhi, trade and cooperation in oil-and-gas were reportedly discussed. Bilateral trade between the two countries is estimated at nearly $1 billion and Indian investments in Myanmar include gas, oil, agriculture, fisheries, pearl cultivation, infrastructure projects, mining and tourism ventures.

Those outlays mark a controversial policy u-turn. India initially supported Myanmar’s pro-democracy movement after the popular uprising of 1988 and general elections of 1990, serving as the first nation to condemn the military regime when it annulled the 1990 elections it resoundingly lost. Suu Kyi was later awarded the prestigious Jawaharlal Nehru Award for International Understanding and successive Indian governments allowed refugees and political activists to reside in India.

In the mid-1990s, the policy shifted and official criticisms of the Myanmar regime stopped while business and military delegations made increasingly frequent visits to the country. Since, over $100 million has been extended to Myanmar in the form of credit, including $27 million for road improvements for the link connecting the town of Tamu on the border with Mizoram State and Kalewa in Sagaing Division.

India has since grown into Myanmar’s second-largest market, trailing only Thailand. Top Indian officials, including the president, government ministers and senior military officers, have all in recent years made high- and low-profile visits to Myanmar. Senior General Than Shwe, the chairman of Myanmar’s ruling State Peace and Development Council, last visited India in 2004. Indian President Dr APJ Abdul Kalam visited Myanmar in 2006 and reportedly avoided mention of the country’s political problems or the detention of Suu Kyi during his stay.

Myanmar has become a key component in India’s “Look East” policy, which strategically views the neighboring country as a geographical springboard to markets in mainland Southeast Asia. Myanmar’s membership in the Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation (BIMSTEC) grouping makes it a key partner in the development of regional projects in trade energy and tourism, as well as in the economic development of northeast India.

India’s real politik policy is also aimed at diluting China’s regional influence. China, which has border disputes with India and with whom it fought a brief war in 1962, views Myanmar as an outlet for trade from its remote, landlocked southwestern Yunnan province. It is also eager to secure oil, gas and other natural resource concessions from Myanmar to fuel its rapidly surging economy.

While protests in Yangon and other towns reached their height last September, Indian Petroleum Minister Murali Deora signed a $150 million gas exploration deal with the SPDC and the Myanmar Oil and Gas Enterprise on behalf of Oil and Natural Gas Company (ONGC) Videsh. As part of the deal, the state-controlled Indian company was granted rights to explore in three separate offshore blocks.

Myanmar, for its part, appears to play the two countries off against each other. India was reportedly disappointed by Myanmar’s decision last August to give the nod to Chinese state-owned PetroChina for highly coveted gas concessions in the large Shwe fields off the
FTA with Japan: A gain for BIMSTEC

THE Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is a sub-regional economic grouping comprising Bangladesh, India, Nepal, Myanmar, Bhutan, Thailand and Sri Lanka. The BIMSTEC Free Trade Framework Agreement sets out a program of ambitious preferential trade liberalization between the member countries. There has also been some discussion of promoting further economic integration with Japan. However, incorporating Japan into the preferential trade agreement would substantially change the composition of the group, offering a new range of opportunities and challenges for BIMSTEC economies. The current paper uses a dynamic global trade model in an effort to improve understanding of the potential impacts of a BIMSTEC-Japan Free Trade Agreement (FTA). We develop a baseline scenario to 2020 using GTAP-Dyn, a recursive dynamic version of the Global Trade Analysis Project (GTAP) model. From this, carefully developed scenarios facilitate quantification of the impacts of progressive liberalization within the BIMSTEC FTA, both with and without the inclusion of Japan and also sensitive product liberalization. Our tentative results suggest that if the FTA is extended to include Japan, significant gains are likely for both the BIMSTEC region as a whole and for Japan. However, we find substantial variation in the impacts on individual BIMSTEC member economies, with results depending upon the exact form of the liberalization, including the timing of reform, the use of sensitive product categories and special treatment for countries categorized as Least Developed Countries. We also note the dynamic nature of the global trading environment, with implementation of other preferential agreements likely to impact on the outcomes of the agreements discussed here.

(Quantitatively Assessing a BIMSTEC-Japan FTA: A CGE Analysis by Anna Strutt, Department of Economics, Waikato Management School, University of Waikato, Private Bag 3105, Hamilton, New Zealand.)

Meanwhile, on December 12, a Memorandum of Understanding was signed to set up a center for the sharing of information technology skills in the old Myanmar capital of Yangon. The agreement to set up the India-Myanmar Center for the Enhancement of Information Technology Skills (IMCEITS) was signed by deputy foreign minister Kyaw Thu during the first official visit to India of a Myanmar official since the crackdown.

India's increasingly cozy relations with Myanmar come at a cost. Armed groups including the United Liberation Front of Asom, the National Socialist Council of Nagaland and the United National Liberation Front are all involved in a decades-old insurgency in India's northeastern areas and have traditionally used base areas in Myanmar's jungle-covered northwestern territories. Although joint operations are periodically announced, very little is reportedly actually done on the Myanmar side, with some speculation that at the local level the insurgents have good relations with Myanmar army officers and intelligence officials.

While these contacts may not extend to the top of Myanmar's leadership, the insurgency is often used as a bargaining chip by the Myanmar regime to gain India's support and military hardware in exchange for proposed offensives against the insurgents.

India's northeastern border problems go beyond the insurgency, with rampant drug trafficking, arms smuggling and an increasing HIV/AIDS epidemic all contributing to instability. Other than close the border periodically when local trade disputes arise, Myanmar does little to stop the smuggling.

Refugees fleeing human rights abuses on the Myanmar side of the border have also become a problem for India and communal disputes have frequently broken out in border communities between Myanmar refugees and Indians. At least for now, though, India seems willing to look the other way as long as commercial profits and fuel flow from the other side of the border.

(Source: Asia Times, January 11, 2008. Brian McCartan is a Chiang Mai-based freelance journalist.)
Energy: Opportunities for regional cooperation

THE cooperation in energy has been a central subject of the BIMSTEC initiative. The energy situation in BIMSTEC is characterized by low per capita consumption and fast growing demand, limited supply of nonrenewable energy, and heavy reliance by a large part of the population in most member countries on traditional energy. As a result, BIMSTEC countries are largely dependent on import of non-renewable energy, particularly oil. However, some countries in BIMSTEC have considerable reserve of hydrocarbon including natural gas, coal and oil. Myanmar, with naturally endowed primary energy resources, has immense potential for the cooperation in energy sector especially with BIMSTEC countries and Japan. This paper discusses the energy resources in BIMSTEC countries and the possible complementarities in energy sector among the BIMSTEC countries and between BIMSTEC and Japan. The paper concludes that there are ample opportunities for regional cooperation, not only in the production and utilization of natural gas but also in hydroelectricity; and in the development of new and renewable sources of energy. One of the conclusions of this paper is that greater cooperation with Japan would help BIMSTEC countries in strengthening energy related infrastructure and sourcing modern technology.

(JCSRD Discussion Paper on BIMSTEC-Japan Cooperation in Energy Sector: Myanmar Perspective by Myat Thein* and Myoe Myint**
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However, a lot of work needs to be done to get BIMSTEC’s own house in order before countries like Japan would even be interested in getting involved in such an agreement. Low trade coverage, high transactions costs to trade and existing FTAs are cases in point. Japan could however play an important role in boosting economic cooperation in BIMSTEC if it were to join. For instance, building transport infrastructure will be crucial to promote regional cooperation and in this regard Japanese ODA can play a significant role. Furthermore, the entry of Japan would boost competition in the region and act as a catalyst for upgrading quality and standards of production and service supply in the region. These potential dynamic benefits will make it worthwhile giving strong consideration to Japan’s entry into BIMSTEC whilst being aware of the challenges that have been outlined in this paper.


**Books**

**Japan – India Relations at a Glance**

Published by Ministry of External Affairs, Government of India and Ministry of Foreign Affairs, Government of Japan
Year of Publication: August 2007
On the occasion of India – Japan Friendship Year 2007, Ministry of External Affairs of India and Ministry of Foreign Affairs of Japan have jointly compiled this book in order to enhance bilateral relations between the two countries. This book carries important information on India – Japan bilateral relations.

*Nihon and Bharat*

Published by KPMG India
Year of Publication: August 2007
This whitepaper was released during the visit of the former Japanese Prime Minister H E Shinzo Abe to India on 22nd August 2007. Publication was supported by the FICCI, CII, ASSOCHAM and the Government of India. This publication contains valuable information on India-Japan bilateral economic relations including investment policies and climate in India.

**Small and Medium Scale Industry in Indian and the Model of Japan**

Editors: Konosuke Odaka Yukihiko Kiyokawa
Publisher: Allied Publishers, New Delhi
Year of Publication: 2008

**Cross-Border Infrastructure Tool Kit**

Publisher: Asian Development Bank (ADB), Manila
Year of Publication: 2007

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