

## FEATURE ARTICLE

### India's Recent Border Initiatives Should Help 'Economics of Neighbourhood' Trump the Politics of Suspicion

Biswajit Dhar, Director-General, RIS

One of the features of the economic integration among nations is the manner in which some major countries have harnessed the "economics of neighbourhood." These countries have taken initiatives to develop synergies with their neighbours, which have translated into major gains for the region as a whole. Two of the most notable examples in this regard, the ASEAN and the EU, have not only gone a considerable distance in developing their region into an integrated market, they are also in the midst of expanding the contours of their "neighbourhood."

ASEAN has become the hub for linking countries in East Asia. This reality was given effect in 2005 through the East Asia Summit (EAS), a grouping that brings India, China, Japan, South Korea, Australia and New Zealand together with the ten ASEAN members. The formation of EAS was based on the recognition that in the rapidly changing international environment, the economies and societies of East Asia have become increasingly interlinked and interdependent.

The EU, on the other hand, has actively pursued the policy of extending its engagement with its neighbours, ever since its members had drawn up a road map to form a single market in 1992. In 2004, the European Commission unveiled the European Neighbourhood Policy (ENP), a framework for developing relations with its eastern and southern neighbours. The stated objective of the "new neighbourhood" was to increase production, economic growth and external trade, and to create an enlarged area of political stability and functioning rule of law, besides fostering the mutual exchange of human capital, ideas, knowledge and culture.

Alongside these groups of countries, large economies in different regions are also building partnerships with their neighbours. China has gone a long way towards cementing economic links with its neighbours, particularly ASEAN members. India, too, is seeking an increase in its level of integration with countries in the neighbourhood through both regional and sub-regional initiatives, initiated under the "Look East policy." These include a FTA with ASEAN that could be enlarged by adding services and investment to the movement of goods in the near term, and BIMSTEC. The latter is a sub-regional initiative that connects five countries in South Asia - India, Bangladesh, Sri Lanka, Nepal and Bhutan - with two members of ASEAN, Myanmar and Thailand.

Divided by history, India's neighbourhood remains one of the less integrated regions. So say the official statistics. But the situation on the ground is very different.

The redrawing of political boundaries in the middle of the last century was not able to break down the economies of the border regions, particularly those existing on India's borders with Bangladesh and Myanmar. Informal trade flourishes at the border; the available

evidence suggests that across the Mizoram-Myanmar border, for instance, the movement of people is commonplace. In other words, an ideal world of free trade exists here.

But a combination of policy constraints and inadequate infrastructure has undermined the potential of India's border trade with Bangladesh and Myanmar. Trade between India and Myanmar is conducted under the Border Trade Agreement of 1994. The agreement was aimed at formalizing border trade practices and creating congenial conditions for trade ties to develop. It initially provided for cross-border trade in 22 products, mostly primary commodities. Besides the restriction on the number of tradable products, border trade faced several other constraints. Firstly, border trade could take place through only one trade point: Moreh in Manipur. Secondly, the agreement required that imports from Myanmar to India should precede exports from India to Myanmar. Thirdly, restrictions were imposed on the conduct of barter trade which, according to the agreement, could take place only by using head load or non-motorized means of transport. These constraints, together with severely inadequate infrastructural facilities and the near non-existence of trade facilitation measures, were hardly conducive to realizing the potential of cross-border trade.

There are, however, indications that the situation is on the mend. In 2008, the third meeting of the India-Myanmar Joint Trade Committee took the decision to convert what is now "border trade" to "normal trade." While restrictions were maintained on barter trade, the list of the 22 products originally agreed upon was expanded to 40. More importantly, the Indian government's Ministry of Development of North-Eastern Region has taken a number of initiatives to activate identified land customs stations, which include Zokhawthar in Mizoram and Avankhung in Nagaland.

Though India-Bangladesh border trade was not subjected to the restrictions that were imposed on the trade with Myanmar, infrastructural bottlenecks, particularly lack of transport connectivity, has affected trade volumes. The good news here is that under the current leadership in Bangladesh, the issue of transport connectivity is being addressed as never before. The two countries have also decided to improve the facilities available at a number of land customs stations and to upgrade the major ones into integrated checkpoints.

Given the trade potential that is waiting to be exploited, implementation of these projects may result in a situation where the "economics of neighbourhood" is able to steal a march over the politics of suspicion.

(Excerpted from the *livemint.com*, 20 July 2010.)

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## Regional Integration will Enhance East Asian Stability

Deepening and widening regional integration is critical to strengthening the stability and resilience of East Asia's economies in the face of mounting global risks, particularly the possibility of another financial crisis, according to business and government leaders in a panel session on the opening day of the 2010 World Economic Forum (WEF) on East Asia. While East Asia has weathered the global economic crisis well, it is crucial that countries take coordinated steps to ensure that the region is in an even better position to withstand further turmoil.

To strengthen their economies, panelists argued, East Asian countries should focus on promoting inclusive growth and environmental sustainability. "Many economies in Asia have to pay attention that the benefits of policies are shared by all and not just the privileged segments of society," warned Masahiro Kawai, Dean and CEO of the ADBI and a Member of the WEF's Global Agenda Council on Systemic Financial Risk.

Investing in the green economy drive new growth, said Kiat Sittheeamorn, President

of Thailand Trade Representative, and also called for East Asian countries to consider a regional currency. "Let's start the first step – macroeconomic coordination among countries. That's much more pragmatic." Countries in the region should step up collaboration in developing and regulating the financial sector, Nguyen Van Binh, Chairman of the Industrial and Commercial Bank of Vietnam (VIETINCOMBANK), agreed. "Cooperation is most important," he said. "The first step is the development of the bond markets. We should also find ways to support each other in a crisis. This is the biggest challenge."

While East Asian countries should boost cooperation, each must also look after its own economy to make it more efficient and productive, Balaji Sadasivan, Senior Minister of State for Foreign Affairs of Singapore, advised. His prescription: "Improve governance, invest in infrastructure and invest in human resources or people's development."

(Excerpted from the *India Infoline*, 7 June 2010).

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## East Asia Needs Sustainable Growth

Asia needs to increase its ability to share the benefits of growth among the larger population, if it is to develop sustainably in the future, WTO Director General Pascal Lamy said at the closing session of the 19th World Economic Forum on East Asia. He said countries in the continent should also promote multilateral cooperation and strengthen their trading capacities. He also noted that within Asia, many bilateral relationships had been doing well but they had also many limitations. He also said that many issues in international trade can be solved through multilateral cooperation.

He stressed the importance of ensuring every citizen benefited from the economic success of a country.

Frans Muller, member of the Management Board of German retailer Metro, said that Asia had managed its economic growth well and "effectively dealt with the global financial crisis." He was of the opinion that the Asian market was very large and carried huge potential for foreign investors, but the situation would be further improved if governments, private sector and NGOs could work together for a common goal.

Hermant Nerukar, Managing Director of India giant Tata Steel who co-chaired the forum, said he had no doubts that Asia would

emerge as a very wealthy region. However, he also warned that as consumption gets stronger without commensurate increases in income, "It would lead to a moral decline."

Fellow participants at the forum said that Asia needs a new business model that preserves natural resources and ensures inclusive growth. The benefits of ample investment flowing into Asia and economic growth are not reaching everyone, because of an inadequate social safety net. "If Asian countries had good social welfare policies, the money from the fund would help them increase investment and indirectly boost the economy," Dave Senay, President and CEO of Fleishman-Hillard said. At present, investment in the social safety network in Asia is only 1–1.5 per cent of GDP, while it should be around 5 per cent.

"There is a fact that in Asia, the proportion of saving is very high, but it doesn't make good sense that the capital flow is from Asian developing countries to developed ones," said Ajay Chhibber, UN Assistant Secretary-General.

On the issue of connectivity, the experts have said that the connectivity among East Asian countries is not on a par with the expansion of trade ties, and this can hamper regional integration.

(Excerpted from the *Viet Nam News*, 8 June 2010.)

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## Asian Single-Currency Plan Must Go on Despite Euro

Asia needs to increase economic integration and loosen trade and investment controls to pave the way for a single currency, according to Mr. Masahiro Kawai of ADBI. The region may be the world's largest economic bloc by 2050 and will need a shared currency to bring down transaction costs and protect local policy from outside influence. Plans for a common exchange rate must go head even as Europe faces challenges with the decade-old euro, in an interview he said.

Mr. Kawai was of the opinion that Europe's crisis is giving Asia a lot of lessons but it doesn't prevent Asia from seeking a monetary union. Instead, it shows that to achieve monetary union, you need lots of preparation. First is to make sure the economies are integrated. Barriers must come down so that investment, trade, finance and people can move freely across economies.

The idea of a single Asian currency unit was first mooted in 1997-1998 when the devaluation of the Thai baht sparked a regional financial crisis and sent local currencies plunging. The IMF predicted in April that the region will lead the global economic recovery, forecasting emerging Asia, which excludes Japan, Australia and New Zealand, and will expand at 8.5 per cent in 2010 and 8.4 per cent in 2011.

Asia's dollar reserves are rising as central banks intervene to keep their currencies competitive and support export growth. China's foreign-exchange reserves of \$2.45 trillion are the world's largest, while Taiwan's rose to a record \$360 billion last month.

Mr. Kawai said that the region will need to reduce its dependence on the greenback as the size of Asian economies grows and relying on the dollar doesn't make sense for a big economic bloc because it means that policies are set by a country outside of that bloc.

"Europe's lessons tell us that monetary union needs fiscal policy coordination," Kawai said. "Monetary policy must have strong coordination but it needs to be supplemented by fiscal coordination," he added.

(Excerpted from the *Bloomberg Business Week*, 7 June 2010.)

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## IMF Urges Asia to Brace for Economic Shocks

The IMF Managing Director, Mr. Dominique Strauss-Kahn said that policymakers in Asia need to be prepared for possible shocks arising out of increased downside risks to global growth. He also added that, however, rapid growth has made the Asian region a 'global economic powerhouse.'

According to Mr. Dominique, many Asian economies are already unwinding stimulus measures. "Increase in downside risks to global growth, including the ones from the recent turmoil in Europe, means that policymakers need to remain attuned to further possible shocks to global growth and financial markets, which include capital inflows that can be a threat to fast growing countries," he added.

Warning that downside risks have risen sharply, the multilateral lender had said that the main near-term risk is an escalation of financial stress and contagion, prompted by risking concerns of sovereign risks. However, at the same time, Mr Dominique maintained that it was now Asia's turn to dominate the global

economy. Rapid growth has turned the region into a global economic powerhouse and Asia's economic weight in the world is on track to grow even larger, he noted. He also stressed on the need to boost domestic demand to sustain Asia's strong growth.

Emphasising on global policy coordination, he pointed that the situation has become more challenging as the countries with different economic conditions are recovering at varied speeds. "Based on the analysis, the IMF recently prepared for the G 20 which will be discussed later in Korea, enhanced global policy coordination could boost the global economy by 2.5 per cent or \$1.6 trillion over the next five years" he said.

"For Asia, the regional GDP would be about \$250 billion higher under this better scenario, with roughly 14 million more jobs," he added.

(Excerpted from the *Hindu Business Line*, 13 July 2010.)

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## Japan Urged to Drive Further Asian Integration

East Asian economies need to deepen their integration through a common, comprehensive strategy as expectations grow that they will lead global growth in coming years, said the ASEAN Secretary General, Surin Pitsuwan, speaking at a seminar in Tokyo organized by the Japan Business Federation (Nippon Keidanren) and the Keizai Koho Center. He also said that Japan has a key role to play to ensure "better connectivity" among the diverse economies of East Asia both in terms of infrastructure investment and improving the region's institutional framework.

While East Asian economies have been growing and integrating rapidly for decades through cross-border production networks, "the evolution of the global community has come to a point where individual strategies, individual approaches and individual initiatives are no longer adequate as far as economic cooperation and integration are concerned," said the former Thai Foreign Minister.

Under the auspices of the EAS in 2009, a study has been launched to create the Comprehensive Asian Development Plan, which aims to "make sure that the sixteen economies of EAS with a 3.2 billion total population, and combined GDP and trade volume (that accounts for) more than half the world total will be better integrated," Surin said.

The Jakarta-based Economic Research Institute for ASEAN and East Asia is now

finalizing a draft blueprint for financial and economic integration of East Asia, especially in the area of infrastructure development and connectivity, he said.

Even though East Asia has recovered from the 2008-2009 global crisis faster than the rest of the world and is forecast to achieve higher growth this year, the region still lacks a "strategy common to all" in its economies to ensure sustained growth, Surin said. Such efforts will lead to "creating a road map" for building an East Asian community, he added.

A community, he said, "will not emerge without connectivity." And Japan is urged to play a key role in improving connectivity among the region's economies through investment in transport, telecommunications and financial infrastructure, as well as through institutional efforts to facilitate regional trade, he added.

The research institute is looking into more than 600 such infrastructure projects in the region, which are estimated to cost \$240 billion, Surin said. Governments alone cannot make all the investments, and Japanese businesses are urged to invest and "prepare the ground for us to make sure that we can make the 3 billion East Asian consumers into a strong market," he noted.

(Excerpted from *The Japan Times*, 22 May 2010.)

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## ASEAN Official Sees Japan as Influential Player in Pushing Asia FTA

ASEAN Secretary General, Surin Pitsuwan said, he sees Japan as an influential player in pushing for free trade and economic integration between the regional grouping and its major trading partners.

In an e-mail interview, the Secretary General also said the speed of economic tie-up particularly between Japan, China and South Korea would be a driving force for regional economic integration.

"With its substantial business interest in the region, it would not be surprising to see Japan exerting its influence on the direction regional economic integration is to be pursued," he said. "Most of the economies in the region are still dependent on Japan not only for trade and investment but development assistance as well."

Surin said he believes that fact that the six major members of the ASEAN have established a tariff-free regime among themselves has created a "solid foundation" for free trade in East Asia. But Surin also cautioned the process of removing all trade barriers within the region is time-consuming.

"Creating a region-wide FTA could still take quite some time," he said. "Suffice it to say, regional economic integration involving the ASEAN+6 countries would also be driven by the speed of integration among the +6 countries, particularly China, Japan and (South) Korea." Economically, Surin said he believes free trade in East Asia which accounts for half of the world's population, would have a global impact.

"A region-wide FTA would definitely impact the global economy, especially in terms of inducing economic activities not only within the region but with the rest of the world as well," he said.

The shape of a free-trade regime in East Asia, however, remains divided among the major regional economic powers, particularly Japan and China. Japan favours a free-trade regime between ASEAN and its six partner countries, while China prefers a tighter geographical area, ASEAN plus China, Japan and South Korea.

For ASEAN, Surin said it is still too early to choose between the two approaches, arguing that a deciding factor is that the emerging regional architecture "would be in the best interest of ASEAN and ASEAN centrality."

(Excerpted from the *Breitbrat*, 13 June 2010.)

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## India's Future Export Opportunities are in New Emerging Markets

Addressing the CII National Conference and Annual Session 2010, Union Minister of Commerce and Industry, Mr. Anand Sharma said that India's future export and investment opportunities will be found in new geographies in ASEAN, Latin America, and Africa where a new middle-class similar to India's own is rising.

The Minister stressed that the several economic diplomacy initiatives that the government was spearheading to reach out to these new markets. He pointed to IBSA, BRICS, and India's engagement with ASEAN through multiple channels such as the India-ASEAN FTA, India-Singapore CECA, the BIMSTEC and the Ganga-Mekong initiative as evidence of the seriousness that the

government attached to its relationship with these new geographies.

The Minister urged industry to aggressively seek opportunities in these new markets even as the government facilitated the process through FTAs and other economic diplomacy initiatives. The Minister pointed out that his ministry has already taken steps in this direction by adding incentive schemes that targeted these focus markets in new geographies in Africa, Asia and Latin America. He also pointed out that almost half of the world's economic growth is being fuelled by BRIC countries, and they will account for a higher share of the growth or global economic output in the future.

Commenting on the need for a comprehensive strategy for developing India's competitiveness, the Minister said that the government realized that part of the effort to diversify India's export and investment relationship was dependent on being able to create a dynamic manufacturing sector in India. The Minister believed that the new National Manufacturing and Investment Zone (NMIZ) policy under consideration would provide a package of incentives and policy reforms would help in developing Indian manufacturing sector and encourage integrated development of manufacturing hubs and urban centers with the best of technology.

(Excerpted from the *Orissadiary.com*, 12 May 2010.)  
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## Third Ministerial Meeting of Japan-India Policy Dialogue Held

India and Japan discussed ways of establishing broader and deeper bilateral economic relations during the Third Ministerial Meeting of the Japan-India Policy Dialogue (JIPD).

Mr. Naoshima Masayuki, Japanese Minister of Economy, Trade and Industry and Indian Commerce and Industry Minister, Mr. Anand Sharma also discussed the development of regional economic cooperation in Asia and the WTO talks. A joint statement issued after the meeting, said the two Ministers discussed the progress of the ongoing negotiations for the Comprehensive Economic Partnership Agreement (CEPA) between the two countries. The Ministers instructed their officials to accelerate the negotiations and to solve the remaining issues toward conclusion of a balanced and mutually beneficial agreement at the earliest.

Difficulties faced by the Indian exporters for footwear products and some agricultural products such as tea, coffee and mangoes to Japan were also discussed in the meeting. The two sides also discussed cooperation in high technology trade and creation of enabling conditions for encouraging business in high technology during the meeting.

Both the Ministers welcomed the MoU for promotion of model "Smart Community" projects and expressed satisfaction at the early launch of the initiatives that aimed at integrated development of eco-friendly townships and industrial zones.

The MoU was concluded by a consortia of Japanese companies represented by Toshiba Corporation, Mitsubishi Heavy Industries, Hitachi and JGC Corporation, Delhi Mumbai Industrial Corridor Development Corporation and Haryana State Industrial & Infrastructure Development Corporation, Gujarat Infrastructure Development Board and Maharashtra Infrastructure Development Corporation.

The Ministers welcomed the opening of JETRO's Chennai office and shared the view that Southern India is an important area as gateway to rest of Southeast Asia and expressed hope that it would promote investment from Japan by contributing to improving business environment.

The Ministers recognized the importance of strengthening regional cooperation toward East Asian economic integration. In this regard, they agreed to immediately commence discussion among EAS Senior Economic Officials on issues such as rules of origin, tariff nomenclature, customs related issues and economic cooperation. The Ministers appreciated the research activities of the Economic Research Institute for ASEAN and East Asia (ERIA) to deepen the integration in East Asia. The Ministers recognized the important role played by the Ministerial JIPD in promoting India-Japan economic engagement as a strategic priority for both countries.

(Excerpted from the *Netindian*, 30 April 2010.)  
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## The New Symbol of Rupee: A Step Towards Globalisation

Evoking national spirit and international attention the Indian rupee attained a new avatar in its new symbol. A distinct identity with a blend of the Devanagiri 'Ra' and Roman 'R', the Indian currency will be joining the elite club of the U.S. dollar, the European euro, the British pound sterling and the Japanese yen.

This would distinguish the Indian currency from its neighbouring countries' Pakistan, Nepal, Sri Lanka and Indonesia — similarly known rupee or rupiah.

This new symbol is also considered as a step towards internationalisation of Indian rupee. While the U.S. dollar, the British pound, the euro and the Japanese yen are widely traded currencies, Indian rupee is only partially convertible.

Further, majority of world's currencies are also floating. Convertible currencies are defined as currencies that are readily bought, sold and converted without the permission from a central bank or government entity. The Indian rupee is only partially convertible as the central bank controls the international investments flowing in and out of the country.

With a new symbol, the issue of full capital account convertibility would be revived again. However, the recent global financial crisis again proved that India would not be able to take such risks though one may say this as a weakness for the Indian currency in the global arena.

(Excerpted from *The Hindu*, 18 July 2010.)  
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## Launch of the 2nd Review of India-Singapore CECA Target to Double Annual Bilateral Trade by 2015

Mr. Anand Sharma, Union Minister of Commerce and Industry, and Mr Lim Hng Kiang, Minister for Trade and Industry, Singapore, launched the 2<sup>nd</sup> Review of the India-Singapore Comprehensive Economic Cooperation Agreement (CECA). They agreed on a 'bilateral economic roadmap' to take the CECA forward in the coming five years. India - Singapore CECA came into existence in August 2005 and has been reviewed once in 2007.

The Ministers also reviewed India-Singapore bilateral trade and investment and agreed to further strengthen these linkages through continued support and facilitation to the industry and businesses. They agreed to establish an India-Singapore CEOs Forum. On this occasion, the Ministers signed a 'Special Scheme for Registration of Generic Medicinal Products from India' that seeks to fast-track the registration process for Indian Generic Medicines in Singapore.

The Ministers also discussed the current state of play in the negotiations towards the India-ASEAN Services and Investment Agreement. They also reviewed the progress under the ASEAN+6 Dialogue and reaffirmed

their commitment towards a Comprehensive Economic Partnership in East Asia (CEPEA).

The Minister showcased the enormous opportunities for investments in the infrastructure sector in India and specifically highlighted the Delhi-Mumbai Industrial Corridor (DMIC) project for Singaporean investors.

Under the India-Singapore Bilateral Economic Roadmap, the Ministers agreed to double annual bilateral trade by 2015; Expansion of CECA's product coverage and parity with Rules of Origin in other FTAs signed by India, specifically the AI FTA and the India-Korea FTA; Broaden Mutual Recognition Agreements (MRAs) on Goods under CECA to facilitate trade and Assess implementation of CECA Services Chapter with a view to further improvement.

The Ministers agreed to promote greater business and investment flows by identifying ways in which Indian businesses can leverage on Singapore as a business hub in the Asia Pacific to support their international expansion and promote bilateral business missions to promote trade and investment.

They also agreed to cooperate in India's infrastructure development to identify more opportunities for Singapore companies to participate in Public-Private Partnership projects in India and explore how India can use Singapore as a base to raise infrastructure funding. In order to broaden bilateral cooperation, the Ministers planned to explore and develop cooperation, beginning with science and technology, intellectual property rights, and the media, as provided for under the CECA Cooperation Chapters.

In order to encourage more people flow, the Ministers reiterated that there is need to increase two-way flow of tourists, businessmen and professionals and need to expedite conclusion of MRAs for dentistry, medical, nursing, architecture, accountancy and company secretary professionals on priority. They agreed to explore expansion of the provisions of CECA to liberalize and facilitate movement of Indian professionals to Singapore and develop closer cooperation in tourism

(Excerpted from the *commerce.nic.in*, Press Release, 11 May 2010.)

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## Commerce Minister Invites Singapore Companies to Invest in India

Mr. Anand Sharma, Minister for Commerce and Industry, during his meeting with the Singapore's Foreign Minister Mr. George Yeo, Trade & Industry Minister Mr. Lim Hng Kiang and Senior Minister Mr. Goh Chok Tong discussed opportunities for investment in India's infrastructure development and using Singapore expertise in areas of water management, urban planning and skills development. Mr. Sharma briefed Mr. Tong on the progress of the Delhi-Mumbai Industrial Corridor and areas where Singapore companies could bring in their expertise and investments.

In the meeting with his Singaporean counterpart Mr. Lim Hng Kiang, Mr. Sharma discussed issues relating to the ongoing 2<sup>nd</sup> Review of India Singapore Comprehensive Economic Cooperation Agreement (CECA). The Singaporean Minister Mr. Lim Hng Kiang underscored the importance of early conclusion of India-ASEAN Agreements on Services and Investments. The Minister, in

his meeting with Foreign Minister Mr. George Yeo, discussed bilateral relations and India's engagement with ASEAN.

(Excerpted from the *commerce.nic.in*, Press Release, 9 July 2010.)

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## Thailand a Natural Bridge Between India and East Asia

Mr. Bill Burns, Under Secretary of State for Political Affairs, said in his speech at Chulalongkorn University, Bangkok, that as India, an emerging global power, is steadfastly implementing its Look East Policy, Thailand is a "natural bridge" between India and East Asian countries.

He also said that the rise of new powers, viz.

India and China and their interactions with the existing order and established powers pose both significant opportunities and challenges. We will continue to have an important stake in the region and bring significant assets to bear as a powerful economy and a global magnet for higher education and innovation.

Thailand serves as a key strategic pivot between territorial and maritime Asia and is a natural bridge between India and East Asian countries, with which India seeks stronger relations," Burns said.

Amidst the significant changes and upheavals of the Asia-Pacific regional order, Thailand has remained a key driver of ASEAN's evolution, and a proponent of economic growth grounded in democratic institutions.

"Thailand's importance in regional stability at a time of significant change cannot be overstated," he added.

(Excerpted from the *businessghana.com*, 20 July 2010.)

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## ASEAN+8, A Recipe for a New Regional Architecture

K Kesavapany, Director, ISEAS

As the international centre of economic gravity moves towards East Asia, the challenge for the region is to develop a new architecture commensurate with its growing role in world affairs. Consider East Asia. There is no doubt that East Asian countries are well-represented in the Group of 20, which is turning into a genuine platform for international economic cooperation. China and India, the two rising Asian giants, are prominent members of the G20. There are also Japan, South Korea, Australia and Indonesia.

However, the G20 is not, and cannot by its nature be envisaged as an East Asian organisation. The Asian voices are matched, if not overwhelmed, by those of the United States; Canada, Brazil, Mexico and Argentina from the Americas; the European Union; the individual European countries of Germany, France, the United Kingdom and Italy; the great Eurasian power called Russia; Turkey, another Eurasian country; Saudi Arabia, the leader of the oil-producing world; and South Africa. The G20 is a global organisation that seeks to reflect the existing balance of economic power. It is certainly necessary, but it is difficult to see how it could reflect the aspirations and responsibilities of an ascendant East Asia.

At the other end of the spectrum lies ASEAN. Arguably the most successful regional grouping in the Third World, it is small enough not to threaten anyone but large enough to attract the attention of countries that matter because of its developmental record, strategic location, and not in substantial population.

The proof of ASEAN's importance is seen in the fact that it is the driving force of three larger regional mechanisms: the ASEAN+3 process; the ASEAN Regional Forum; and the East Asia Summit (EAS) process.

'East Asia has not been short of big ideas and visions but it has failed to organise itself to turn those ideas and visions into clear directions and workable plans for the region itself and in shaping the world,' the late Indonesian scholar Hadi Soesastro wrote. 'Given East Asia's prominence here, the region will need to organise itself more purposefully and strategically,' he added.

How? The important question now is whether ASEAN can build on its record as the hub for multiple processes leading to greater East Asian integration. Can it do so in order to help provide the architecture that the region needs?

At the recently-concluded 16th ASEAN Summit in Hanoi, the leaders of participating countries had agreed that any new proposal should have ASEAN as its main foundation; be based on the central role of ASEAN; and should build upon and strengthen existing ASEAN-based structures. ASEAN leaders also discussed the growing interest shown by the US and Russia in deepening their engagement with the region. They considered some modalities of achieving this outcome.

The main point to note is that EAS expansion to include Russia and the US would derail the EAS' efforts at regional economic integration. The EAS is currently working on a region-wide FTA through the Comprehensive Economic Partnership of East Asia (CEPEA) process. The inclusion of Russia and US in the EAS would stall CEPEA. Thus, it would be better to keep the EAS as it is and allow it to focus on regional integration efforts.

(Excerpted from *East Asia Forum*, 8 May 2010.)

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## What If Asia Had A Common Currency?

Andrew Sheng, University of Malaya and Tsinghua University, Beijing.

Proponents of Asian monetary integration point to growth in trade integration as a pre-condition for future financial integration. Those who think that Asian integration is a pipe dream says that there is currently no political consensus, not even the makings of a unified monetary or currency policy, and little convergence on supervisory policy. Further, there are hardly any discussions within Asia on common fiscal policies.

The euro problems are more warning signals to Asian reforms on what not to do and what to avoid, rather than positive indicators of the road to integration. But not all the lessons are negative. I can think of several "green shoots" coming out of the euro problems for Asia.

The first is that you can't hurry the process. It takes time to get consensus on what is right for a large community of different interests and different cultures.

Secondly, talk about Asian monetary integration has always been defensive rather than offensive, in the sense that some pooling of resources could hopefully defend weaker Asian currencies from excessive speculation and instability. The reason why multilateralization of the Chiang Mai Initiatives took quite a long time to arrange is that immediately following the Asian financial crisis threats of instability receded, and thus there was little urgency to getting any agreement done. The problems of the euro have given the Asian integration process more urgency.

Thirdly, in the last decade, differences in country income and wealth levels have become less unequal. With Japan in the doldrums and the rise of China, India, Gulf states and East Asia-ex Japan; Asian countries are now more evenly matched. Fourthly, the return of the RMB to a more flexible currency arrangement and the upward revaluation of the Asian currencies in recent months indicate that the financial markets are reflecting the shifting economic weight towards the East. Asia will be receiving more hot money flows and will have to cope with the same

pressures that plagued East Asia in the early 1990s, just before the Asian financial crisis.

None of the above positive signs add up to greater impetus for Asian monetary integration. Indeed, there is no sign that there is greater sense of regional cooperation, since Korea was also willing to put currency issues on the agenda of G-20 in Toronto.

Much will depend on how China plays her cards in the near future. Shanghai has already been designated as the international financial center for China and the RMB is becoming an important trade currency, particularly with neighbouring countries. The sheer weight of excess savings in the surplus countries will clearly give Asian financial centers more clout in the recycling of global funds. What is not obvious is how Asian policy-makers are institutionalizing the process.

The process of Asian financial integration must depend first and foremost on the degree of deepening in Asian financial institutions. The process of creating diverse financial institutions has happened too slowly relative to the needs of the rising middle class and aging demographics. Asia has always prided itself on growth with relatively little financial repression, in the sense that depositors received only slightly negative real interest rates, with the benefits of repression given to the export and manufacturing sectors.

Perhaps, the next phase of Asian financial integration will be less officially driven, and more market led through the removal of the barriers to Asian financial institutions integrating within the region. Allowing more Asian financial institutions into each others' domestic markets is more of a concrete step towards regional integration than visionary statements.

(Excerpted from the *Forbes.com*, 4 July 2010.)

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## Trade Integration, the Key to Asia's Future

Kah Chye Tan, Standard Chartered Bank

Certainly, the global financial crisis has created a seismic shift in relative economic power from west to east and it can now be said with some certainty that it is Asia, not the US or Europe, that is leading the world in terms of the economic response to the downturn. And much of Asia's success in weathering the crisis can be attributed to the growth of intra-Asian trade, which rose by 80 per cent between 2003 and 2007, while the percentage of total Asian exports accounted for by the US, EU and Japan dropped from 43 per cent to 31 per cent during the same period, according to Standard Chartered research. Consequently, we see Asian countries trading and investing between each other at a much faster pace and in much larger volumes than ever before.

Certainly, increasing affluence in the region over the coming decades is likely to see Asia's role in the global economy become even more important as its newly-confident consumers generate demand for products that could offset, or at least match, the decreasing or flat-lining appetite for spending in the west.

Such a recalibration of Asia's growth model has put additional pressure on the region's trading capabilities. And this has exposed some flaws most crucially, Asia's lack of regional integration. In comparison to the US, which is completely integrated, and Europe, which is partially integrated, it is clear that Asia remains worryingly fragmented.

Contrary to what many may think, this is not a matter of currency standardisation or political nation-building. It is something as small as the terms of trade between nation states that will most likely hinder the

region's future development. Within the EU, for example, most trade activities are conducted on an open account basis because a certain level of mutual trust has been fostered. This is lacking in Asia where corporates still turn to the safety of letters of credit or other payment guarantees to mitigate perceived higher levels of counterparty risk with trading partners. This can lead to delays in payments, stifling corporates' ability to efficiently manage liquidity in their supply chain.

In aiming to overcome these inefficiencies, it is imperative that Asia looks to Europe's integration both to draw from its successes and to heed the warnings of its failures. Indeed, while Europe can be justifiably used as a benchmark, it is clear that the European model will need to be recalibrated to suit Asia's own social, political and economic environment.

How can this be achieved? The increasing sophistication of financial supply chain management technology is perhaps the biggest potential leap helping corporates to more efficiently deal with volume expansions, longer supply chains, increasingly sophisticated purchaser demands, as well as stringent governance standards and regulatory environments.

Certainly, over the past few years, banks have witnessed more and more corporates searching for end-to-end solutions to unlock liquidity and maximise their working capital potential. Yet the provision of these systems by banks is only one step on what is a much longer journey towards Asian trade integration.

(Excerpted from the *FinanceAsia*, 4 June 2010.)

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## Are Free Trade Agreements Necessary

Rizalino Navarro, *Philippine Daily Inquirer*

Our economy has been kept afloat by overseas Filipino Workers (OFW) remittances that have fueled consumption spending, which accounts for nearly three quarters of our economy. Government spending, public and private investments and net exports comprise the balance of the GDP equation. Moreover, what we export minus what we import is barely 1 per cent of GDP. We are decidedly a consumer nation more than a producer nation.

While Philippine companies have generally been looking inward, catering mainly to the domestic market, most of our neighbouring enterprises have been aggressively seeking markets abroad, helped along by their governments' engaging bilateral Free Trade Agreements (FTAs). As of February 2010, East Asia had 81 FTAs in effect in the region, with an additional 45 being negotiated.

Our exports could have been stimulated if a global trade agreement under the auspices of the WTO had been reached. However, on the way to that historic agreement, negotiations stalled with the Doha Round that began in 2001. When the standstill became untenable for our neighbours, they turned toward bilateral FTAs as the way to stimulate trade.

However, we have been slower off the mark, perhaps hoping the WTO agreement would be reached. Our only new economic partnership agreement was with Japan. Philippine involvement in other new trade agreements has been achieved by default. As a member of the ASEAN, we have been included in various ASEAN FTAs, e.g., ASEAN-China FTA, ASEAN-Korea FTA, and ASEAN-Japan Comprehensive Economic Partnership.

Growing interdependence has created a need for regional trading

arrangements (RTAs). Technological change has given rise to regional production networks and increased intra-regional trade.

The FTAs and RTAs being developed in East Asia are "new age" partnership agreements aimed at narrowing development gaps and reducing the cost of doing business. They are not just about establishing freer trade, but more importantly, are about developing areas for cooperation and building capacities. The latter includes upgrading our fruit exporters' capability to pass stringent phytosanitary standards.

These new age agreements are also aimed at addressing emerging cross-border regional issues involving health concerns, security, disaster response and many others that an individual country may not deal with as effectively on its own.

There have been proposals for furthering East Asian regional integration. Currently, several RTAs are under study, most notably the East Asian Free Trade Agreement (EAFTA) involving 10 ASEAN countries and China, Korea and Japan, as well as the Comprehensive Economic Partnership for East Asia (CEPEA) involving all the EAFTA participants plus Australia, New Zealand and India. Recognizing how regional cooperation has become crucial to the mutual and sustained growth of the region, political leaders in East Asia are now looking toward a vision of an East Asian Community.

We are indeed quite fortunate to be located in the most dynamic region in the world. But if we are not geared up for its promise, we will end up at the tail end of its growth.

(Excerpted from the *Philippine Daily Inquirer*, 15 May 2010.)

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## The New Lesson for Resilient Asia

Stephen Roach, Chairman, Morgan Stanley Asia

Asia has come through the global crisis of 2008-09 with flying colours. First, Asia learnt the painful lessons of the 1997-98 regional crisis very well. That crisis stemmed largely from Asia's vulnerability to the vicissitudes of international capital flows. Lacking in foreign exchange reserves, overly exposed to short-term external debt and with rigid currency pegs, the region stood little chance when the hot money started to flee. When Thailand went, Indonesia, South Korea, Taiwan and most of the others in developing Asia were quick to follow.

By contrast, for Asia, the latest crisis was primarily an external demand shock. The unprecedented 11.8 per cent drop in the volume of global trade in goods in 2009 hit this export-led region extremely hard. No country was spared either sharp recession (Japan, Taiwan, Malaysia and Thailand) or major slowdown (China, India and South Korea). But Asia's build-up of foreign exchange reserves in the period between the two crises – from less than US\$1,000bn in 1998 to nearly \$5,000bn in 2009 – insulated it from the financial upheaval that followed Lehman's collapse.

Second, there is Asia's new China-centric character. I have argued in one of my articles in the *Financial Times* after the Asian crisis that China was bound to supplant Japan as the leader of regional growth. But China has clearly arrived as the region's dominant economic force. In the past ten years, export-led economies such as Japan, South Korea and Taiwan have all redirected their overseas shipments. Their largest export market was once the US; now it is China. The "Asian dream," as a result, is now much more a Chinese dream.

That puts Asia in a tight spot – relying more and more on China for sustained growth and prosperity. Yet China's challenges can hardly be minimised as underscored by the latest property and credit bubbles, as well as the labour-related pressures seen in the recent problems at Foxconn's Shenzhen plant. But just as surgical administrative measures seem likely to contain the damage from the bubbles, rapid productivity growth should offset deferred minimum wage rises and keep unit labour costs in check. That does not diminish China's most daunting structural imperative – an increasingly urgent need to stimulate private consumption.

Third, Asia cannot presume that just because it weathered the global crisis it has discovered the holy grail of economic prosperity. In an increasingly complex and integrated world, trouble has an unpredictable way of mutating. The cross-product contagion of 2008-09 was very different from the cross-border contagion of 1997-98. Asia must prepare for the inevitable next crisis rather than bask in warm glow of its new-found resilience.

On that score, Asia has a full plate. In the late 1990s, exports made up about 35 per cent of developing Asia's gross domestic product. Ten years later, that ratio had risen to 45 per cent. The region has become more dependent on external demand just as the aftershocks of the 2008-09 crisis are likely to take a lasting toll on this demand in both the US and Europe.

In this context, it is critical for Asia to adapt yet again to move towards greater reliance on its own internal markets. Asia's post-crisis imperative is now to stimulate private consumption very different from the imperative of repairing financial vulnerability after the crisis of the late 1990s.

My bet is on Asia – that the next three years are going to be even better than they were during my recent stint in the region. I think China definitely gets it – that the post-crisis era leaves it with little choice other than turn to its own 1.3bn consumers as a major source of internal growth.

But I leave Asia with one big worry that the rest of the world doesn't get it. I worry, in particular, about the steady drumbeat of China-bashing in Washington – especially as we approach mid-term elections this year. I fear that America, with a massive multilateral trade deficit that stems from an unprecedented shortfall of domestic saving, will make a major mistake in seeking a bilateral "remedy" to a jobless recovery by imposing trade sanctions on China.

More than ever, the US needs to stop taking out its frustrations on others. It should look in the mirror and deepen its understanding of the self-inflicted nature of its problems. This is America's re-education imperative. That is a key reason why I am heading off to Yale.

(Excerpted from *The Financial Times*, 9 June 2010.)

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## Further Readings

- India: IPR Comes in Way of Japan FTA. *The Economic Times*, 29 July 2010.
- India-Asean Deal For Services Hits Mode IV Roadblock. *Business Standard*, 27 July 2010.
- Workshop Gives Boost to Promoting Intra-Asian Trade in Organic Products. *UNCTAD*, 4 June 2010.
- This is America's New Asia Policy. Wang Fan. *Xinhuanet.com*. 4 June 2010.
- Trade Integration, the Key To Asia's Future. Kah Chye Tan. *Finance Asia*, 4 June 2010.
- Indian Minister Anand Sharma : Road Connectivity is the Key to Development. *The Hindu*, 22 May 2010.
- ASEAN Secretary General: ASEAN-SAARC Merger Possible if SAARC Achieves Greater Integration. *The Island*, 19 May 2010.

## Asia's Global Responsibility

According to a recent assessment by the IMF, Asia will grow by 7 per cent this year, with its bigger economies, China and India, posting higher rates. But leadership in the global economic recovery casts special responsibilities on these countries. Their current strengths, and the policy choices they will be making from now on, will have a significant bearing on the fortunes of the global economy.

The debt crisis in Europe has added to the problems created by financial market volatility. Economic recovery has been uneven across regions; and in many countries, it is still fragile. The outlook is much better for the world's most populous continent. Output in most of Asia is well above pre-crisis levels and, for the first time, its contribution to a global recovery is outstripping that of other regions. In a development that portends well for the sustainability of growth, domestic consumption rather than an overwhelming dependence on exports has become the growth driver in most Asian economies.

There are two sets of risks the global economy faces. First, many advanced countries have practically exhausted the fiscal space available for continuing policy support. Secondly, the financial sector continues to be vulnerable to external shocks. A key concern is that political leaders in the developed countries have so far not been able to deliver on the promised bank reform packages. Adverse

developments in Europe could disrupt trade in Asian economies. But fortunately, the financial linkages to euro area economies are limited. The biggest challenge India and a few other emerging economies face relates to capital inflows. Asia's bright prospects have attracted large inflows of capital from developed countries, which have very low interest rates. This could lead to overheating in some cases.

On the other hand, portfolio capital is known to be fickle and can quickly reverse course. Policymakers need to strike a balance in the crucial area of unwinding macro-economic stimulus and financial sector support packages. The correct time frame will depend on the specific circumstances of each country. A key lesson from the crisis is that financial sector reforms are indispensable for lasting financial stability. While the Asian financial system has been resilient, it is important for banks in individual countries to stay ahead of the curve. Asia is not immune from developments elsewhere but the continent is in a very strong position to tackle the risks. At a policy level, it makes eminent sense for Asian countries to cooperate and coordinate their approach to global economic issues.

(Excerpted from *The Hindu*, 15 June 2010.)

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## India Should Continue to Look East

Amitendu Palit, *Head & Visiting Research Fellow, Institute of South Asian Studies, NUS*

India did not look to the East for a long time. The best and brightest from India travelled to the West for learning and living and Indian business was far more comfortable looking West even during the days of tight control.

Oddly enough, the US and Europe remained India's largest trade partners, even during the committed years of rupee-rouble trade between India and the erstwhile Soviet Union. While the Cold War did not put an end to India's economic ties with the West, despite expectations to the contrary, it saw India neglecting the East for a major part of the last century.

India's neglect in favour of the West hurt its own economy more than the East Asian region. India missed being a beneficiary of the Asian miracle. A more pragmatic political perception resulting in a similarly pragmatic economic vision would have seen India connecting to the Asian 'Tigers' much earlier than it actually did. Unfortunately, India never realised that the 'goose' can actually spread its wings wide and deep into other parts of Asia. As a result, it remained a curious onlooker of the Asian miracle without aspiring to figure in or on an extended periphery.

Strategic analysts suggest that India's Look East policy of 1992 was a result of the new dynamics that unfolded after the Cold War. But like most of the radical policies in today's Indian economy, this policy also partly owes its origin to the balance of payments crisis in 1991.

Had foreign exchange reserves not dipped to the levels where they could barely finance a fortnight's imports, India would not have resorted to desperate measures. The crisis and the ground that it provided for opening up the economy left India with little option other than responding positively to globalisation. This meant accessing new

markets. There was no other region of the world that had more vibrant markets than those in India's East.

The policy has certainly helped as far as economic gains are concerned. The Asian region is now India's largest trade partner. India's economic exchanges with Southeast Asia as well as the more mature economies of Northeast Asia have been facilitated by the Look East policy.

Indeed, had these regions not figured prominently on India's contemporary trade profile then its trade earnings would have been much more severely affected by the global economic downturn. With export markets in the West having collapsed in a manner rarely witnessed before, Asian markets have helped Indian exports return to a positive growth trajectory.

There are several reasons for India to expand and promote relations with its neighbours in East Asia. The first of these is, undoubtedly, economics. India should continue to expand its economic networks with the East with greater emphasis on formal trade pacts covering goods, services, technology, cross-border investments and the movement of people.

The final reason for which India should strengthen its Look East policy is strategic. It should start playing a role in East Asia that is commensurate with its new identity. By aggressively pursuing the Look East policy through wider objectives and a greater scope, India should aspire to become a more significant strategic entity in its East. It is only natural that India should adopt a firmer and more meaningful Look East policy in order to benefit from a growing East Asia.

(Excerpted from the *East Asia Forum*, 22 April 2010.)

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## **The Dynamics of Asian Financial Integration: Facts and Analytics**

Editors : Michael Devereux, Philip R Lane, Cyn-young Park and Shang-Jin Wei  
Routledge, 2011  
ISBN-10: 0415595517  
ISBN-13: 978-0415595513

The ongoing global financial crisis has manifested a remarkable degree of global financial integration—and its implications—for emerging Asian financial markets. The current crisis will not and should not deter the progress that the region has made toward financial openness and integration. However, events like this clearly demonstrate that financial liberalization and integration is not without risks.

Hence, emerging Asian economies' growing financial ties have motivated us to look closer at the repercussions of increased financial integration and evaluate the benefits of risk sharing and better access to international capital markets against the costs of cross-border financial contagion. The crisis also presents a timely opportunity for the region's policy makers to rethink their strategies for financial deregulation and liberalization and to reconsider a next step to integrate emerging East Asia's financial markets further. However, doing so requires deeper understanding of financial market integration. While much has been said in both academic and policy circles about financial globalization and regional financial integration as separate areas of study, existing research has been relatively silent on the dynamics between these two distinctive forces.

The book addresses this gap in financial literature and assesses financial integration in emerging East Asia at both regional and global levels. The publication studies the factors driving the progress of regional financial integration in relation to financial globalization and identifies the relevant policy challenges facing emerging market economies in the region. Chapters look into three broad aspects of regional and global financial market integration: (i) measurement of regional and global financial integration, (ii) understanding dynamics of regional financial integration versus global financial integration, and (iii) welfare implications from regional financial market integration amid financial globalization. Against this context, academics, policy makers, and other readers will appreciate the rigorous research contribution provided by the book.

## **Monetary and Financial Integration in East Asia: The Relevance of European Experience**

Yung Chul Park and Charles Wyplosz  
Oxford University Press, 2010  
ISBN-10: 0199587124  
ISBN-13: 978-0199587124

This book looks at East Asia's monetary and financial integration from both Asian and European perspectives. It analyzes the Euro area's framework for monetary policy implementation, introduced in 1999. It reviews the efforts to foster regional monetary and financial integration and relates them to Europe's own evolution. It highlights successes and failures in both cases and offers a careful assessment of the state of play. A central theme of the volume is that the East Asian reliance on markets is not enough to promote the kind of deep integration that Europe has achieved and that provides protection against exchange rate turbulence. The implications of the recent global crisis are also examined.

## **A Resilient Asia Amidst Global Financial Crisis: From Crisis Management to Global Leadership**

Harinder S. Kohli and Ashok Sharma  
Sage Publications Pvt. Ltd, 2010  
ISBN-10: 8132105168  
ISBN-13: 978-8132105169

This book is based on the papers presented and discussions held at a high-level regional workshop organized by the ADB in January 2010 to discuss the impact of the global economic and financial crisis on developing Asia. It provides a clear and thought-provoking analysis of the global economic crisis from the perspective of 19 Asian countries. The papers present concrete ways in which Asian economies and financial systems can be made more responsive and resilient.

## **Region Building: The Global Proliferation of Regional Integration**

Ludger Kuhnhardt  
Berghahn Books, 2010  
ISBN-10: 1845456548  
ISBN-13: 978-1845456542

After two centuries of nation-building, the world has entered an era of region-building in search of political stability, cultural cohesion, and socio-economic development. Nations involved in the regional structures and integration schemes that are emerging in most regions of the world are deepening their ambitions, with Europe's integration experience often used as an experimental template or theoretical model. Volume I provides a political-analytical framework for recognizing the central role of the European Union not only as a conceptual model but also as a normative engine in the global proliferation of regional integration. It also gives a comprehensive treatment of the focus, motives, and objectives of non-European integration efforts. Volume II offers a unique collection of documents that give the best available overview of the legal and political evolution of region-building based on official documents and stated objectives of the relevant regional groupings across all continents. Together, these volumes are important contributions for understanding the evolution of global affairs in an age when power shifts provide new challenges and opportunities for transatlantic partners and the world community.

## **New Dimensions in Regional Integration**

Editors : Jaime De Melo and Arvind Panagariya  
Cambridge University Press, 2010  
ISBN-10: 0521556686  
ISBN-13: 978-0521556682

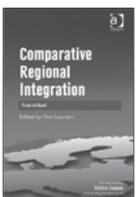
The slow progress of the GATT negotiations, developing countries' experience of trade liberalization in the 1980s and recent dramatic changes in Eastern Europe have all revived interest in regional integration. Papers in this volume, based on a CEPR joint conference with the World Bank, analyze why countries find regional integration more attractive now than in the past, the circumstances under which different kinds of integration are appropriate and the conditions necessary for their success. It also considers whether regionalism may serve as a stepping stone to multilateral free trade and the possible harmful long-term effects on small developing countries and free traders of the world's division into trading blocs.



## Assessment and Measurement of Regional Integration

Editor: Philippe de Lombaerde  
Routledge, 2010  
ISBN-10: 0415586631  
ISBN-13: 978-0415586634

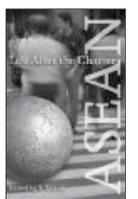
This is a unique examination of why the quest for global free trade often forgets that trade liberalization is organized regionally rather than multilaterally. There are now more than 250 regional integration initiatives and this number is steadily increasing. This trend raises a key question: What is the impact of regional integration, both for the countries involved and for those excluded from regional integration schemes? Using a combined economic, political science and scientific approach, this book explores how regional integration can be measured and evaluated and delivers comprehensive answers. It looks at the methodological problems involved in designing monitoring tools for regional integration in a systematic way and makes a number of concrete suggestions for designing and organising systems of indicators of regional integration. It also offers a critical overview of available indicators and tools and presents crucial new monitoring instruments.



## Comparative Regional Integration

Editor & Author: Finn Laursen  
Ashgate, 2010  
ISBN-10: 1409401812  
ISBN-13: 978-1409401810

This book includes up-to-date studies of regional integration efforts in all major parts of the world, especially North America, South America and East Asia. In many cases, these efforts are compared with the EU, where integration has progressed much further. Some important questions are asked: What explains the variation in achievements? What kind of agreements and institutions are needed to produce regional integration? Is 'pooling and delegation' of sovereignty necessary to overcome 'collective action problems'? How important is regional leadership? Various schools of thought are represented in the book, so different approaches are used and diverse conclusions arrived at.



## ASEAN: Life after the Charter

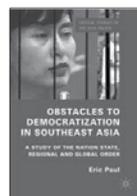
Editor : S. Tiwari  
Institute of Southeast Asian Studies, 2010  
ISBN-10: 9814279560  
ISBN-13: 978-9814279567

With the completion of the ASEAN Charter, ASEAN needs to fully appreciate and work out the issues connected with its implementation. It is also important for ASEAN and its business sector to understand and implement the two newly completed key integration instruments (the ASEAN Trade in Goods Agreement and the ASEAN Comprehensive Investment Agreement 2009) and the business enhancing initiatives envisaged under them. Both areas of work have taken on added urgency in view of ASEAN's goal of putting in place an ASEAN Economic Community by 2015. This is the first book which examines both the above issues, the problems related to them and possible solutions.

## The Impact Of Regional Integration And Third-Country Effects On FDI: Evidence From ASEAN. (Foreign Direct Investment Report): An Article From: ASEAN Economic Bulletin

Nathapornpan Piyaarekul Uttama  
Institute of Southeast Asian Studies, 2010  
In the past few years, ASEAN countries have experienced a

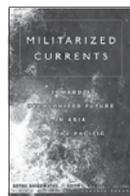
considerable increase in foreign direct investment (FDI) inflows, i.e., +156 per cent from 2000 to 2007. Such an increase is much greater than that recorded at world level (+30 per cent). Consequently, as a percentage of world FDI, ASEAN inflows jumped from 1.6 per cent in 2000 to 4.4 per cent in 2007 (Table 1). Singapore, Thailand and Malaysia are still the main recipients of FDI. Recently however, three additional countries have also emerged as major recipients. These are Indonesia, Philippines and Vietnam, for which FDI inflows have more than tripled between 2004 and 2007.



## Obstacles to Democratization in Southeast Asia: A Study of the Nation State, Regional and Global Order

Erik Paul  
Palgrave Macmillan, 2010  
ISBN-10: 0230241816  
ISBN-13: 978-0230241817

Paul comprehensively analyzes the meaning of democratization in South East Asia's nation-states and how it relates to the development of the ASEAN. In doing so, he questions the viability of ASEAN and its potential to move towards a common market and community.



## Militarized Currents: Toward a Decolonized Future in Asia and the Pacific

Editors : Setsu Shigematsu and Keith L. Camacho  
Univ of Minnesota Press, 2010  
ISBN-10: 0816665060  
ISBN-13: 978-0816665068

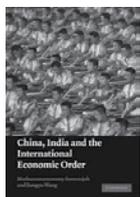
Foregrounding indigenous and feminist scholarship, this collection analyzes militarization as an extension of colonialism from the late twentieth to the twenty-first century in Asia and the Pacific. The contributors theorize the effects of militarization across former and current territories of Japan and the United States, such as Guam, Okinawa, the Marshall Islands, the Philippines, and Korea, demonstrating that the relationship between militarization and colonial subordination—and their gendered and racialized processes—shapes and produces bodies of memory, knowledge, and resistance.



## The Future of Asian Trade and Growth: Economic Development with the Emergence of China

Editor : Linda Yueh  
Routledge, 2010  
ISBN-10: 0415368111  
ISBN-13: 978-0415368117

This book presents a comprehensive analysis of current trends of trade and economic growth in Asia, assessing how they are likely to develop in the future. It examines the evolving patterns of Asian economic development with the emergence of China, including since China's accession to the WTO in 2001. It discusses the significance of an export-oriented growth strategy on the Asian region, and the likely patterns of intra-regional specialisation given China's rise. The book examines the degree to which the remarkable growth of China is likely to affect other Asian countries in terms of global market share, and growth prospects. The book explores how the rise of intra-industry trade is affecting patterns of specialisation in the region, and appraises the role of multinational corporations and foreign direct investment.



## China, India and the International Economic Order

Editors: M. Sornarajah and Jiangyu Wang  
Cambridge University Press, 2010  
ISBN-10: 0521110572  
ISBN-13: 978-0521110570

With contributions by a variety of internationally distinguished scholars on international law, world trade, business law and development, this unique examination of the roles of China and India in the new world economy adopts the perspectives of international economic law and comparative law. The two countries are compared with respect to issues concerning trade and development, the World Trade Organization, international dispute settlement, regional/free trade agreements, outsourcing, international investment, foreign investment, corporate governance, competition law and policy, and law and development in general. The findings demonstrate that, though their domestic approaches to economic issues diverge, China and India adopt similar stances at the international level on many major issues, recapturing images which existed during the immediate post-colonial era. Cooperation between China and India could provide leadership in the struggle for economic development in developing countries.



## South Asian Economic Development

Moazzem Hossain, Rajat Kathuria and Iyanatul Islam  
Routledge; 2 edition, 2010  
ISBN-10: 0415454727  
ISBN-13: 978-0415454728

South Asia's developing nations have been enjoying moderate to high growth over the past decade before the global recession began. This new edition provides an up-to-date guide to the growing markets in South Asia. It offers an analysis of the changes and consequences of high sustainable growth, investigating what has been achieved in the region during the last ten years from a macroeconomic viewpoint, identifying new challenges and clearly defining what has driven the boom.

## Are Trade Openness and Financial Development Complementary?

Ram Upendra Das and Meenakshi Rishi

Trade liberalization and financial deepening have assumed greater significance for a country's economic growth performance in recent times. Several theoretical and empirical studies have devoted considerable attention to the association between economic performance and trade liberalization as well as to the connections between financial market development and economic growth. However, literature is sparse in terms of the direct linkages between trade openness and financial sector development. This paper finds that trade openness and financial development are complementary and econometrically tests this hypothesis for India over a period of time. However, two important policy implications of the analysis presented in this paper deserve attention. First, although financial deepening has emerged as an important aspect of the economic growth strategy in the Indian context, since the sources of such a deepening may be both domestic as well as external; the importance of a judicious policy mix cannot be neglected, especially in the wake

of the current global financial meltdown. Second, as documented in the econometric analysis, the complementarities between trade openness and financial deepening appear to be less pronounced. (*RIS Discussion Paper No. 165, June 2010*).

## Global Financial Crisis: Implications for Trade and Industrial Restructuring in India

Prabir De and Chiranjib Neogi

This paper investigates the impact of global crisis shocks on India's trade and industry. The estimated results show that changes in trade composition are positively associated with changes in manufacturing composition in India, controlling for other variables. While analysing its dynamic effects, compositional change in industry has responded significantly to the export to USA, Japan and EU in the crisis period. However, there is no strong indication to conclude that Indian industry has been severely affected by the fall in demand in crisis-affected advanced economies such as US, EU and Japan, holding other things constant.

(*RIS Discussion Paper No. 166, July 2010*).

## NEW ASIA MONITOR

### Research and Information System for Developing Countries

(RIS) was established in 1984 in New Delhi as an autonomous policy think tank, specialising in trade and development issues. The work programme of RIS focuses on multilateral trade negotiations, regional economic integration in Asia, new technologies and development, South-South Cooperation and strategic responses to globalization.

RIS has been supporting the process of regional economic integration in Asia through in-depth policy studies. Besides the pioneering work on economic integration in South Asia, RIS has been making significant contributions to the debate on India's economic integration with its major partner countries in Asia.

The *New Asia Monitor*, a quarterly journal launched by RIS, seeks to disseminate the news, viewpoints and information about resources among the policy circles and think-tanks to promote the cause of regional economic integration in Asia. The information provided in the journal is compiled from various sources, as cited, and is purely for educational and dissemination, and not for commercial purposes. The copyrights of the material included remain with the original sources. Printed copies of the *New Asia Monitor* can be obtained free of cost from RIS or can be downloaded from [www.newasiaforum.org](http://www.newasiaforum.org).

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Editor: Beena Pandey