



NEW ASIA MONITOR

A Quarterly from RIS



Vol. 3 No. 1

January 2006

Fourth High-Level Conference on Asian Economic Integration Reflects on the Agenda of the East Asia Summit

RIS has been supporting the process of regional economic integration in Asia with a series of high-level policy dialogues on Asian economic integration besides a number of studies. The Fourth High-Level Conference on Asian Economic Integration: Towards an Asian Economic Community was organized by RIS, in collaboration with ISEAS, Singapore, in New Delhi on 18-19 November 2005, with the support by Sasakawa Peace Foundation, Japan and UNDP Regional Centre, Colombo. The conference was preceded by three conferences organized by RIS in collaboration with other think-tanks in Asian countries held in New Delhi, (March 2003), Tokyo, (November 2004) and Taiyuan, P.R. of China (September 2005).

Hon'ble Shri K. Natwar Singh, the then Minister, Government of India, delivered the inaugural address. Dr. Arjun Sengupta, M.P. (Rajya Sabha) and Chairman, RIS chaired the inaugural session. Ambassador K. Kesavapany, Director, ISEAS, Prof. Akinori Seki, President, Sasakawa Peace Foundation, Tokyo, and Dr. Nagesh Kumar, Director General, RIS also addressed the inaugural session. Hon'ble Shri Prithviraj Chavan, Minister of State in Prime Minister's Office delivered the valedictory address.

The conference had participation of heads of policy think-tanks, eminent scholars and policy makers from more than eleven countries including Australia, Cambodia, China, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, Vietnam and India and regional development institutions such as Asian Development Bank. The conference touched upon wide ranging issues on the selected themes.

The main themes of the conference were the Asian Century: Relevance of Asian Economic Integration; Regional Trade and Investment Liberalization: Trends and Potential; Monetary and Financial Cooperation in Asia; Prospects for Regional Cooperation for Asian Energy Security; and Asian Identity and Strategic Issues. The concluding session had a Roundtable Discussion on the Agenda for the forthcoming East Asia Summit.

The conference found an optimism



(From left): Prof. Akinori Seki, President, Sasakawa Peace Foundation, Tokyo; Dr. Nagesh Kumar, Director-General, RIS; Dr. Arjun Sengupta, M.P. (Rajya Sabha) and Chairman, RIS; Hon'ble Shri K. Natwar Singh, the then Minister, Government of India; and Ambassador K. Kesavapany, Director, Institute of Southeast Asian Studies, Singapore at the Fourth High-Level Conference on Asian Economic Integration held in New Delhi on 18-19 November 2006.

Feature Article

about the development prospects of Asia with the emergence of India and China as engines of growth, rise of middle class as source of final demand, and increasing resilience of Asian countries to external shocks such as oil price rise. Integration of Asian countries with in the region was evident from high and growing proportion of intra-regional trade and investments. Besides the growing economic dependence, the Asian countries also faced shared vulnerabilities to external shocks and natural disaster such as Tsunami.

There is also an attempt to build more formal institutionalized cooperation as reflected from numerous sub regional or bilateral FTAs such as ACD, ASEAN+1 FTAs and Boao Forum of Asia, among others. Special stress was laid on the need for consolidating these sub regional and bilateral attempts on a broader regional framework to provide a seamless market facilitating exploitation of synergies more effectively.

To create an institutional framework for promoting regional cooperation in select areas need to be further strengthened.

An important priority could be to create an East Asian Free Trade Agreement (EAFTA) as a framework agreement combining all the EAS participating countries to provide seamless market to the business and industry. This could be achieved by liberalizing barriers to intra-regional trade in goods, services and investment in phased manner latest by 2020 with provisions for appropriate safeguards.

It was recommended to develop an Asian Monetary Architecture of EAS countries for pooling reserves by building on the Chiang Mai Initiative and expanding it to cover all the EAS participants and creation of Asian Currency Unit as a unit of account for facilitating intra-regional trade and exchange rate stability within the EAS region.

On the energy front, it was suggested to set up an Asian Energy Forum as an Asian counterpart of IEA to pursue proposals of regional cooperation including Asian Strategic Energy Reserve, a pan-Asian gas grid, development of an Asian energy market, energy conservation, etc.

To harness the benefits of developments in the information technology and biotechnology, the conference proposed to

Continued on page 12



Indian PM Calls for Creation of pan-Asian Free Trade Area

Indian Prime Minister Manmohan Singh, addressing the ASEAN Business Advisory Council, called for creation of a pan-Asian free trade area (FTA). Like the EU and the NAFTA, the pan-Asian FTA would be a dynamic, open and inclusive association of regional nations. "This will not be easy and it cannot be done in a day. There will be sceptics. But for believers, it is eminently possible. I am convinced that this is the only way to move forward," he said.

According to Dr. Manmohan Singh, the east Asian community was a natural extension of the ASEAN-India engagement process. "The India-ASEAN free trade agreement could become the first step in the process. The limited FTA is a beginning but we must ensure that it leads to explosive growth in trade and investment."

The Prime Minister added that the "essence of the idea" was to build a closer link between India and ASEAN nations. The two sides could double their trade to \$30 billion by 2007. India's share in the global flows of goods, services, knowledge and culture had grown exponentially. After registering an eight per cent rate of growth in 2003-04, our economy recorded upwards of seven per cent growth

for two years in a row. Indeed, in the first half of 2005-06, we have touched eight per cent.

Referring to India as a vibrant marketplace, the Prime Minister said that "our entrepreneurs are investing overseas successfully. Businesses from abroad, including from ASEAN, Japan and the Republic of Korea, find India a productive and profitable business destination."

Similarly, Prime Minister said that "the gathering momentum of India-China relations is visible in the expansion of our bilateral economic ties. The process of engagement in the Asian region has truly taken off. I am confident it will be self-sustaining, enhancing direct contact between the peoples of the region."

The Prime Minister also emphasised that "India was committed to bringing down its tariffs to ASEAN levels, dismantling unwarranted barriers and expanding capital flows. We must walk this road together, so that enterprises in our countries find it a beneficial process, not a hurtful one. There may be losers, and there will certainly be gainers, but on the whole, we will obtain a win-win outcome".

(Excerpted from *The Hindu*, December 13, 2005). ■

East Asia Summit to Become an Annual Dialogue on Asian Cooperation

The Heads of State and Government of the Member Countries of the ASEAN, China, Japan, Korea, India, Australia and New Zealand signed the Kuala Lumpur Declaration on the occasion of the historic East Asia Summit on 14 December 2005 in Kuala Lumpur, Malaysia.

All the countries reiterated their commitments to the purposes and principles of the Charter of the UN, the Treaty of Amity and Cooperation in Southeast Asia and recognized principles of international law. They acknowledged that in a rapidly changing international environment, their economies and societies are increasingly interlinked and interdependent. Member countries recognized their shared interest in achieving peace, security and prosperity in East Asia and the world at large and are keen to create peaceful environment by enhancing cooperation and strengthening the existing bonds of friendship among the countries. All the member countries are convinced of the importance of strengthening bilateral and multilateral interactions and cooperation

among the participating countries of the East Asia Summit. At the same time the countries reiterated that conviction about the effective functioning of multilateral systems which is indispensable for advancing economic development, shared the view that the EAS could play a significant role in community building in the region and further recognized the need to support efforts to build a strong ASEAN community which will serve as a solid foundation for common peace and prosperity.

The countries jointly declared that EAS has been established as a forum for dialogue on broad, strategic, political and economic issues of common interest and concern and also to promote community building which reinforces the realization of the ASEAN community. They further declared that the EAS will be an open, inclusive, transparent and outward looking forum which will strive to strengthen global norms and universally recognized values with ASEAN as the driving force working in partnership with the other participants of the EAS.

The summit also focused on promoting development, financial stability, energy security, economic integration and growth, eradication of poverty and narrowing the development gap in East Asia through technology transfer, infrastructure development, capacity building, good governance and humanitarian assistance and promoting financial links, trade and investment expansion and liberalization. Special emphasis was laid on promoting deeper cultural understanding, people-to-people contact and enhanced cooperation in uplifting the lives and well being of the peoples in order to foster mutual trust and solidarity. Promotion of environment protection, prevention of infectious diseases and natural disaster mitigation has also been stressed.

(Excerpted from the Kuala Lumpur Declaration on the East Asia Summit, *PIB Releases*, December 14, 2005). ■

India Keen on Asian Economic Integration: Indian Finance Minister

Finance Minister of India, Mr. P. Chidambaram in his inaugural speech at the third 'Made in India' show, organised by the Confederation of Indian Industry (CII) in Shanghai, said that India is ready to play an "active" role in promoting Asian economic integration and is keen to cooperate with China in achieving the goal". India's approach towards Asian integration and its relations with Asia are increasingly an important element of our foreign policy. We are ready and committed to be an active and positive player in contributing to the cause of Asian integration. "We look forward to working with China towards these goals," he said while pointing out that India first propagated the idea and concept of an 'Asian Economic Community' in September 2003.

Mr. Chidambaram stressed that Asia, especially India and China, seems poised to provide the thrust necessary for continued economic growth into the 21st century. "India and China are two of the most important contributors to the political and economic dynamics of Asia, as also of the world," he said.

Referring to the forecast that India-China bilateral trade, which has already crossed the US\$ 12.2 billion mark during the first eight months of 2005. The Finance Minister expressed the hope that it may even increase to US\$ 20 billion by the year end. He also underlined that India and China have economies that compete with each other, but there are also significant complementarities. There is ample opportunity and space in the international economy for both our growing economies.

At the same time, the Minister stressed that there is need for both the countries to examine closely the narrow trade composition of the trade basket and the insufficient use of each other's comparative advantages. For sustainable high volumes, diversification of the trade basket it is not only important but imperative. He suggested that India and China should look into areas like agriculture, dairy industry, food processing, auto components, pharmaceuticals, machine tools and information technology where they can mutually benefit.

(Excerpted from *The Hindu*, October 17, 2005). ■

SAARC Summit Seeks Concrete Action on Cooperation

The Heads of State and Governments of the SAARC member countries attended the 13th SAARC Summit held at Dhaka, Bangladesh, 13-14 November 2005. The leaders adopted Dhaka Declaration, which gives priority attention to regional cooperation to derive benefits from the synergies of collective, well-planned and focused initiatives by the member countries. The Declaration aims at creating an enabling environment for the establishment of the South Asian Economic Union.

According to the Dhaka Declaration, the member states expressed determination to work towards significantly accelerating regional cooperation in economic areas and emphasized to secure a wider economic space, so that benefits and opportunities can be shared by all so that the true economic potential of South Asia can be fully realized. The SAARC leaders recognized the need to take the process of regional economic integration further, by expanding the

scope of SAFTA to include trade in services, enhanced investments and harmonized standards.

The member countries reiterated their commitment to make SAARC an effective instrument for cooperation in order to improve the quality of life of the people in South Asia. They emphasized that efforts must continue to free South Asia from poverty, hunger and other forms of deprivation and social injustice. The Heads of State decided to declare the decade of the 2006-2015 as the SAARC Decade of Poverty Alleviation.

The leaders stressed the importance of the core economic areas for achieving the charter objectives for making South Asia vibrant, dynamic and secure its robust progress. They reaffirmed their commitment to accelerate cooperation in economic and commercial fields particularly in the sectors of energy, transportation and communication links, trade liberalization and transit facilities among the member states.

The Heads of State and Government reiterated that their pledges and commitments made in the past two decades should be translated into concrete actions in the form of regional projects, programmes and innovative initiatives.

(Excerpted from the Dhaka Declaration, 13th SAARC Summit, Dhaka, 13, November 2005, www.SAARC-sec.org) ■

East Asia Summit to be an Inclusive Forum

International Trade and Industry Minister of Malaysia Datuk Seri Rafidah Aziz says East Asia cooperation can be a broad caucous to strengthen areas of economic cooperation on trade and investment facilitation. It could also establish mutual recognition arrangements, collaboration in customs matters and enhance capacity building.

On the EAS, Rafidah said the forum will be open, inclusive and outward-looking. "The objective is to provide a forum for dialogue on broad strategic political and economic issues of common interest and concerns," she said.

She also said the focus on economic issues is expected to include strengthening further economic integration of the region, promoting greater collaboration to ensure financial stability, energy concerns and narrowing the development gap.

(Excerpted from the *Malaysian National News Agency* December 6, 2005). ■

East Asia Should Embrace Others

East Asian cooperation should be an open and transparent process rather than being "closed, exclusive or directed against any particular party," Chinese Premier Wen Jiabao said at the East Asia Summit in Kuala Lumpur.

"It... should welcome Australia, New Zealand and India's participation and also welcome the participation of Russia. It should strengthen contact with the United States, the European Union and other countries," he said.

Wen reassured other leaders that China would stick to a path of peaceful development and does not pose a threat to its neighbors. "China will never seek domination in East Asia. China will not develop at the expense of others, and its development will not threaten any other country," he said. "No matter what may happen in the international arena, China will remain a trustworthy and reliable partner of the people in this region," he added.

During his meeting with

Indian counterpart Dr. Manmohan Singh, Wen said, China and India are cooperation partners, not rivals. The common interests of the two nations are greater than their differences, and bilateral cooperation is greater than their competition, he said further.

(Excerpted from the *China Daily*, December 15, 2005). ■

ASEAN must Boost Ties with India

Malaysian Prime Minister Abdullah Badawi speaking at the business conference said that Southeast Asian countries should accelerate economic ties with powerhouses India and China and speed up market liberalisation to enable the region to benefit from the rapid growth of the two economic giants.

"To keep pace with China and India, ASEAN would need to maintain the momentum of improving its business-friendly environment," said Mr Badawi and added that "instead of being a mere follower of the tide of change, Asia itself will become an agent of change."

He also urged the ASEAN member nations to seek deeper economic integration with India and China, noting that the combined economies of the two countries were expected to edge out the United States as the top economy by 2050.

China is now the world's third largest exporter of merchandise goods while, India is 22nd-biggest exporter of commercial services, the Malaysian Prime Minister said.

A study is under way to explore the feasibility of an East Asian free trade area comprising Asean, China, Japan and South Korea. It could be gradually expanded to involve India, Australia and New Zealand, he added.

(Excerpted from *Financial Express* December 11, 2005). ■

India Key to East Asia-Asia Integration: Japan

India is the key to East Asia-Asia integration and should thus be a part of the Asia-Europe dialogue process but the time is not ripe for it to become a part of the Asia-Pacific Economic Cooperation (APEC), remarked Japan's envoy Yasukuni Enoki.

"India is an indispensable part of East Asia networking. Any economic integration of East Asia and Asia will not work without India," he added. He also maintained that "historically, Japan has not looked beyond Myanmar. Now, that is changing because of our Look West policy. We need India's economic dynamism and huge market."

According to Enoki, the growing India-Japan ties were a natural progression of their efforts as part of the G4 grouping that also includes Brazil and Germany to press for UN reforms and the inclusion of the four countries in the Security Council.

"India's growth has also contributed to strengthening our relations. India's growth might not be as spectacular as China but seven percent is still a good figure. India has also demonstrated, it is capable of sustainable growth of an average of five percent per year for the next 15 years.

"This has enhanced India's economic fundamentals. India and ASEAN are now considered on economic space. The Indian market is an extension of ASEAN", Enoki contended.

(Excerpted from www.webindia123.com, November 22, 2005). ■



The Foundations for an Asian Oil and Gas Grid

India has revived a plan for an oil and gas grid for the Asian continent due to the rising international price of oil and domestic shortages coupled with increasing demands of a growing economy.

The grid is part of a two-fold strategy by the two top Asian oil guzzlers, China and India, to ensure reliable delivery networks and energy security. The other element involves acquiring stakes in production and exploration projects for which New Delhi and Beijing continue to cooperate as well as compete.

The emphasis on the grid got momentum in the wake of reports that the China National Petroleum Corporation (CNPC) and the ONGC, two of the most high-profile emerging global oil companies, could jointly bid for Petro-Canada's US\$1-billion oil and gas fields in Syria. Both India and China feel the strategic need to

diversify their energy sources from the current dependence on West Asia.

India's Petroleum Minister Mani Shankar Aiyar in his inaugural address at the ministerial roundtable on cooperation between North and Central Asian producers in New Delhi said that Asia is no longer marginal to the global oil and gas economy. "The era when our production was controlled by others is now behind us, the era when the bulk of consumers lived in other continents is also over," he added. "Already, two-thirds of the oil extracted from the bowels of West Asia and Southeast Asia finds its way to the markets of Turkey, India, China, Korea, Japan and other consumption centers in Asia", said Mr. Aiyar.

The roundtable hosted by India brought together oil-producing countries including Russia, Turkey, Uzbekistan, Kazakhstan and Azerbaijan in

dialogue with the principal Asian consumer nations - China, Japan, Korea and India.

Reiterating India's resolve, the Minister said, producers and consumers could jointly invest in infrastructure to gain energy security for the region. "We can together invest in exploration, production, transportation, shipbuilding and shipping, in ports and terminals. We can together build refineries and gas-processing plants and power-generation stations and petrochemical units; in short, we can together take on the world. That would be true energy security."

Both China and India have used these forums to work out joint actions. China's oil delegation leader stated, "We [China and India] have agreed not to compete with each other ... We will be coordinating and cooperating with India."

(Excerpted from the *Asia Times*, December 1, 2005). ■

India-Australia CECA Planned

India is exploring the possibility of having a CECA with Australia which is to include a FTA clause.

During discussions with the Premier of Western Australia, Geoff Gallop, Mr. Kamal Nath, the Union Minister for Commerce and Industry, informed Mr. Gallop that ONGC Videsh Ltd., a subsidiary of ONGC, had acquired participatory interest in the hydrocarbon sector in Western Australia and also conveyed India's interest in cooperation in the field as Australia had sizable gas resources.

Mr. Kamal Nath also took up the issue of diamond mining royalty from Argyle, the Australian diamond company. India, he said, sourced large quantities of rough diamonds from Western Australia and hence a resolution of this issue would ensure availability of diamonds from Australia beyond the year 2008.

In turn, Australian delegation drew attention to the issue of access for their wines in the Indian market, to which Mr. Kamal Nath noted that the tariffs in India had been reduced considerably.

(Excerpted from *The Hindu*, October 5, 2005). ■

India, Indonesia to Establish "Strategic Partnership"

Prime Minister Manmohan Singh and Indonesian President Susilo Bambang Yudhoyono agreed to establish a "strategic partnership" between their countries in keeping with contemporary realities. Promising to impart stronger economic and socio-political dimensions to their relationship, they said in a joint declaration that India and Indonesia must adapt and elevate their ties to take on present and future challenges.

"As the world's largest democracies, the combined voice of Indonesia and India can make a difference in international affairs," the joint declaration said. Mr. Yudhoyono welcomed India's offer of defence cooperation in the areas of supplies, technologies, joint production and joint projects.

While agreeing to set up a joint study group to examine the feasibility of a Comprehensive Economic Cooperation Agreement (CECA), they expressed satisfaction that two-way trade was set to exceed US\$4 billion in 2005 and set a trade target of US\$10 billion by 2010.

Welcoming the close cooperation between the ISRO and Indonesia's National Institute of Aeronautics and Space of Indonesia (LAPAN), Dr. Singh appreciated the assistance extended by LAPAN for the setting up of ISRO's second Telemetry, Tracking and Command Centre in Biak, in Indonesia's Papua provinces, to be commissioned soon. On the other hand, the Indonesian President wished that the process of transfer of technology and capacity building between ISRO and LAPAN could be intensified. Furthermore, he expressed hope for greater bilateral cooperation in the development of rockets and the utilisation of Indian remote sensing satellites, the declaration said.

While acknowledging the centrality of ASEAN, both countries affirmed the need for all 16 EAS countries to fully participate and actively contribute towards a common vision of an East Asian Community that would facilitate closer regional cooperation and integration.

(Excerpted from *The Hindu*, November 24, 2005). ■

Good Potential for Intra-Asian Trade

Speaking at the 11th annual meeting of Asian Exim Banks, organised at Goa by The Forum of Asian Exim Banks, the Chairman and the Managing Director of Exim Bank of India, Mr. Venkat Subramanian said that intra-Asian trade accounts for US\$625 billion, comprising 42 per cent of all exports from Asian countries. This is not commensurate with the potential that exists for trade flows among the Asian economies.

He also noted that intra-Asian trade was much lower than intra-EU and intra-NAFTA trade, and the sharp rise in India-China trade in the last few years, has made China India's largest source of imports and third largest export destination.

Addressing at the annual meeting, Mr. Pratapsingh Rane, Chief Minister of Goa, hoped that the forum would suggest policies that would give fillip to economic growth in the larger context of intra-Asian economic cooperation. Dr. Ashok Lahiri, Chief Economic Adviser, Government of India, in his keynote address, cited the example of ADB's initiative for the Greater Mekong Sub-region, in which six countries entered into a programme of sub-regional economic cooperation and explained the Indian Governments' initiatives, particularly India's 'Look East' policy to forge stronger ties with the Asian economies for promoting trade and investment.

Dr. Nagesh Kumar, DG, RIS, underscored the significance of regional cooperation among Asian countries, as the region is home to the fastest emerging economies. Besides sub-regional initiatives in the framework of ASEAN and SAARC, broader economic integration initiatives are underway. Dr. Kumar argued that there is a strong case for ASEAN, Japan, China, India and Korea to work together to realise the Asian dream.

(Excerpted from *Business Line* October 9, 2005). ■

Racing with Tigers to Catch Up with Dragon

India's 'Look East' policy took a giant leap recently as Prime Minister Manmohan Singh stepped in to push forward the much-awaited CECA with the ASEAN. India was ready for strong economic bonding with the most dynamic free trade bloc of the region. It will not only be a question of trade with the ASEAN, but also investment flows and technology infusion for India Inc.

The contentious issues related to rules of origin (ROO) in the FTA with the ASEAN, which is part of the CECA, have been resolved and both sides are gearing up on a positive note to step up relations to a new level. India's trade with the ASEAN has been growing at a fast pace and is expected to touch nearly US\$30 billion by 2007, according to estimates by ASSOCHAM. This region could account for nearly 10 per cent the country's trade, industry representatives feel.

It is not only the ASEAN, but the excitement stems from the possibility of the big picture of an Asian Economic Community encompassing China, Japan and

Korea, besides India. Formation of such a strong economic grouping would be a challenge to the EU and NAFTA. Since India and China are emerging as the world's largest economies, eastern linkages would definitely benefit India if the integration is carefully calibrated to suit the Indian economy.

With agreements having been signed recently at Kuala Lumpur to iron out the remaining glitches in the India-ASEAN CECA, current expectations are that negative lists under the FTA would be cut down significantly and a liberal ROO adopted.

The Prime Minister has also initiated steps for an FTA with key West Asian economies through a pact with the GCC, with a view to integrate India economically with the entire Asia. With multilateral talks through the WTO moving rather slowly, the engagement with the Asian Tigers seems to be the Indian 'Elephant' economy's chance to catch up with the Chinese Dragon.

(Excerpted from the *Economic Times*, December 23, 2005). ■

Vision for a New Asia

India has concluded a Framework Agreement on Comprehensive Economic Cooperation with ASEAN in 2003 and with Singapore more recently, a few months ago. We are developing a similar model with Thailand, and are setting up a Joint Study Group for conclusion of Free Trade Agreements with Malaysia, Indonesia, Japan and the Republic of Korea. We are also examining ways to develop regional trading arrangements with our great neighbour - China. These are all milestones on the road to the eventual creation of an Asian Economic Community, or the 'arc of prosperity' that I envisage to become a reality in the early part of the 21st century.

— Prime Minister of India Dr. Manmohan Singh's Keynote Address at Special Dialogue of ASEAN Business Advisory Council, December 12, 2005, Kuala Lumpur.

China is committed to East Asia cooperation in the interest of fostering a harmonious, secure and prosperous neighborly environment. China hopes that such cooperation will promote regional peace and prosperity and create a friendly international environment that will facilitate its development endeavor. China is proud to be a good neighbour, friend and good partner of other Asian countries.

— Prime Minister, People's Republic of China, H.E. Wen Jiabao, at the East Asia Summit Leaders Dialogue, Kuala Lumpur, Malaysia, December 12, 2005

India is an important and influential member of the international community. It is fast emerging as a major growth pole in the world, which I believe can be attributed to you Mr. Prime Minister when you were then in charge of the Indian economy a decade ago.

— Statement by the Hon'ble Prime Minister of Malaysia at the 4th ASEAN-India Summit, December 13, 2005. ■

East Asian Nations to Boost Economic Ties

India along with 15 other countries moved a step closer to work towards the Asian economic community encompassing a possible pan-Asia free-trade agreement as envisaged by Prime Minister of India, Dr. Manmohan Singh.

At the first historic East Asia summit, a Kuala Lumpur declaration was adopted, which underlined that the summit, to be held annually, was set up as a forum "for dialogue on broad strategic, political and economic issues of common interest and concern with the aim of promoting peace, stability and economic prosperity in east Asia."

Dr. Manmohan Singh said that Asia had now "woken up" and urged the Heads of Government to look for deeper economic integration as tools such as FTAs and economic agreements could become "building blocks" for larger common visions.

An East Asia summit declaration on the avian influenza prevention was also adopted by the summit members to step up cooperation for surveillance and capacity building, research and development, risk communications

and production and supply of vaccine and anti viral drugs.

The East Asia summit was truly a meeting of friends with things in common and with a vision of the region, said Rajiv Sikri, Secretary (East) MEA, India. The leaders in their "cordial and friendly" discussions discussed the whole gambit of regional and financial architecture and felt every country could provide value-addition to realising the concept of east Asian community, he added.

The Prime Minister further said, "The world's eye was upon us and the hopes and aspirations of millions of people were focused upon this framework to work in the future." He quoted India's first Prime Minister Jawaharlal Nehru who said, "*Today time is moving fast in Asia, old continent is waking up after a long slumber, the eyes of the world are upon her, Asia is going to play a great part in the future.*" He also said, "Asia was now a cusp of a new opportunity, which we should seize with foresight and wisdom."

(Excerpted from the *Business Standard*, December 15, 2005). ■

India to Help in East Asian Economic Integration

With a growth rate of 7-8 per cent per annum, a sizeable middle class and strong macro-fundamentals, the Indian economy is poised to give impetus to the East Asian economic integration. According to the RIS study, large requirements of infrastructure investments, booming demand of final consumption goods in India may help smoothen the process of macro-economic adjustment in the world economy.

At present, the Indian economy is rapidly integrating with the East Asian production networks especially in critical knowledge-based parts of the value chain. Indian enterprises are also developing their own production networks incorporating East Asian countries. With rapid growth of intra-regional trade, East Asia has emerged as India's largest trade

partner, accounting for nearly 40 per cent of the country's total global trade.

According to the study, there is a strong case for Asean-Japan-China-India and Korea working together to realise the Asian dream. The forthcoming EAS in December could be first step in creating regional institutional infrastructures for an EAFTA.

The EAFTA would aim at liberalising barriers to intra-regional trade in goods and services and investments in phased manner latest by 2020 with provisions for safeguards for sensitive products, special and differential treatment, and dispute resolution for countries at different levels of development, the study revealed.

(Excerpted from the *Financial Express*, December 4, 2005). ■



Need to View SAARC in Broader Asian Context

Dr. Manmohan Singh, Prime Minister of India

It is important that we assess South Asia Regional Cooperation in the larger Asian context. Today, ASEAN is evolving rapidly into a truly integrated economic community. Parallel to this intra-ASEAN integration is the broader movement towards economic integration in the context of the proposed East Asian Economic Summit. We are clearly witnessing nothing short of an Asian resurgence based upon the rebuilding of the pre-colonial arteries of trade and commerce that created a distinct Asian identity in the first place. If our region wishes to be a part of the dynamic Asia, which is emerging in our neighbourhood, then we must act and act speedily.

If we wish the next twenty years of SAARC to be different, we should take the first decision to reconnect the countries of the subcontinent on the one hand and then reconnect the subcontinent to the larger Asian neighbourhood on the other. We need to recharge and regenerate the arteries of transport and communication that bind us together and in turn link our region to the rest of Asia to reclaim the prosperity that is undoubtedly our due. In pursuit of this vision, let us agree, at this summit, that all South Asian countries would provide to each other, reciprocally, transit facilities to third countries, not only connecting one another, but also connecting to the larger Asian neighbourhood, in the Gulf, Central Asia and the Southeast Asia. India, which borders each of the members of the South Asia, is willing to do so.

(Excerpted from the speech delivered at the 13th SAARC Summit, Inaugural Session, Dhaka, 12 November 2005).

Rise of China and India to Shift Global Centre of Gravity to Asia

Goh Chok Tong, Senior Minister, Singapore

The renaissance of China and India is changing Asia. Other countries in Asia, and in fact the world, will have to remake themselves to seize the opportunities generated by their rise.

I expect China and India to power Asia's growth over the next few decades. China's GDP today is one-seventh that of the US. Goldman Sachs has predicted that China could overtake the US to become the world's largest economy by 2041, and India's economy, currently about one-seventh of Japan's, could be larger than Japan's by 2032. Never before in history have we witnessed the simultaneous rise of two gigantic countries, which together make up more than one third of mankind.

China and India are altering global patterns of trade, investment, production and travel. Because of their sheer size, the earth shakes as the Chinese dragon and the Indian elephant move. Therefore, we have to adjust to the new realities and seize the opportunities therein.

China is forcing the pace of change throughout Asia for the better. The Chinese dragon will usher in a new prosperous Asian

century. However, China's growth will not be an upward-sloping straight line. The country faces real challenges of China's development through the concept of "division and multiplication". China's wealth of resources became very small for its 1.3 billion people, and at the same time will also have to cope up with massive deforestation which had an adverse impact on the environment. The widening income gap is another major problem as there are 26 million Chinese still living in abject poverty, earning less than US\$80 annually.

India is also changing where income disparity is a major problem. Though India has many strengths, not least of which is its deep source of human capital, including a large pool of well-educated English-speaking professionals and workers.

India has carved a niche for itself as the world's software centre and working hard to change its investment outlook. In 2004, FDI into India was US\$5.5 billion, less than 10 per cent of China's US\$61 billion. Under Prime Minister Manmohan Singh, customs duties have been slashed, and the development of SEZs, where superior infrastructure, flexible investment laws and special incentives are designed to draw in foreign investments.

As India grows, the IMF expects that by 2010, India's exports will more than double, while imports will nearly triple. The consumer market could then be worth

US\$400 billion, making it one of the top five globally.

With China and India becoming big players in the international market, Southeast Asia has no choice but to respond strategically. ASEAN is becoming increasingly integrated so that its market will be at least half as big as China's and India's. In addition, ASEAN is positioning itself to ride on the growth of China and India. ASEAN's total trade with China and India has grown significantly over the past decade, and in 2004 amounted to US\$80 billion and US\$17 billion respectively. ASEAN is working hard to ensure that its FTAs with China and India are completed and fully implemented by 2010 and 2011 respectively.

Japan's attitude towards China is shaped by how China's rise will alter the regional balance and affect Japan's interests. On the other hand, Japan's relations with India are less problematic, and Singapore has been remaking itself to enhance the competitiveness and seize the opportunities in the region.

The CECA between Singapore and India is the first comprehensive FTA that India has signed with any country. The rise of China and India will shift the global economic centre of gravity from West to East. Governments must respond boldly and continuously to the imperatives of our changing times. Likewise for companies, this is the only way to ride the rising Asian tide.

(Excerpted from the speech delivered at the Nomura Singapore Seminar, November 8, 2005 Tokyo, Japan)

© Singapore Government Media Release.

East Asian Integration and the Big Powers

Amitav Acharya, Deputy Director, Institute of Defence and Strategic Studies, Singapore

Recently, at first east Asian summit, the "east Asia" represented a functional and political concept, rather than a geographic or racial one. Moreover, unlike Dr Mahathir's vision of an east Asia led by Japan, the current framework of east Asian regionalism sees China as the key player.

Abdullah Badawi, Prime Minister of Malaysia, has described the summit as a "leaders-led" summit. This implied that participants were to engage in real brainstorming and agenda-setting, not merely rubber-stamping decisions made at earlier meetings of senior officials and ministers. But he could have described the event with

greater accuracy as a “leaderless summit”, because Asia’s big powers — China, Japan and India — are constrained by their rivalry from playing a genuine leadership role.

The exclusion of the US from the east Asia summit projects a sense of east Asian identity, but causes some worry about Chinese dominance. Indeed, this concern is what prompted Japan, Singapore and Indonesia to push for bringing India, Australia and New Zealand into the summit.

To be sure, America’s concerns about the summit will be well defended by especially Japan, which under the Koizumi government has strengthened its bilateral security alliance with the US. Japan (as well as India) is interested in developing a future east Asian community through the larger summit framework. By contrast, China would prefer to develop such a community through the narrower ASEAN plus three process, which excludes Australia, New Zealand and India.

Hence, the Kuala Lumpur summit was not only a test of the region’s ability to engage China without courting its dominance. It might also be a means for some of America’s friends to remind Washington of the need to stay involved in the region despite its preoccupation with Iraq and emerging signs of isolationism in the American public.

(Excerpted from the *Financial Express*, December 25, 2005)

© *Financial Express*.

Asia as the Next Supermarket

M K Venu

The structural weaknesses of the US economy on account of its low savings rate and ever growing current account deficit is making many export-led Asian economies seriously reflect upon their excessive dependence on the American market.

However, other strong markets have to emerge for them to reduce their dependence on the US as it remains the engine of world growth and acts as a supermarket for most exporting economies in Asia.

In this context, options is to create more intra-regional trade and investment flows within the larger Asian region so as to evolve an alternative hub, besides the US that will drive global growth. This will also ensure a smooth rebalancing of economic power, with Asia playing its rightful role, given that more than 70 per cent of the world’s population both consumers and productive human resource will be from Asia alone.

A viable alternative to the US market can only emerge if a larger open trade block emerges in the Asian region through an intermeshing of various free trade arrangements centered on China, India, Japan and ASEAN. However, these Asian economies will have to seriously think about creating an alternative growth hub and gradually move away from a very US-centric export growth strategy. There is a huge potential to create a massive intra-regional market supported largely by China and India in this region.

According to the *RIS Discussion Paper*, India, China and ASEAN must quickly set their own houses in order to boost the confidence of potential investors from Japan. Japan has massive forex reserves of over US\$800 billion which is currently invested mainly in US treasury bills. In a way Asian forex reserves of over US\$2 trillion are parked outside Asia. Thus, it has been suggested that the larger, regionalised Asian market must create sufficient conditions in terms of regulatory and corporate governance institutions to attract investments from Japan, China, India and so on.

Confidence on this score could be enhanced through ASEAN-China and ASEAN-India FTAs which create a regional rule-based framework for freer flows of trade, investment and skilled labour. The India-Singapore CECA is a model worth for emulating. Free flow of investments between India, China and Japan would seem to be a prerequisite for the larger Asian project to take off. US and European automobile manufacturers are using their investments in India to drive their exports from this country. There could be an extensive intra-regional production network, based on exchange of parts, components and other intermediate products with China and India at its core, as these would be the biggest consuming markets in the near future. Similarly, China and Japan can also create a fresh beginning. The Beijing-New Delhi-Tokyo axis is the key to evolving a larger Asian integration project.

(Excerpted from the *Economic Times*, January 10, 2006)

© *Economic Times*.

Japan-China Feud Clouds EAS Launch

Eric Teo Chu Cheow, Council Secretary, Singapore Institute for International Affairs

The East Asia Summit under Malaysia’s chairmanship could prove decisive for

Japan and China with regard to their role in East Asia, and for smaller Asian nations that fear getting caught in the increasing regional rivalry between the two.

ASEAN-Plus-Three was formalized at a 1999 summit, with functional cooperation effectively extended beyond the annual ASEAN summits. Two important factors have influenced the final choice of EAS participants, which are expected to number 16: First, the United States will be absent from this summit. Second, the rapid rise of India during the past few years has made it necessary for ASEAN to bring India into the mainstream of Asian regional integration.

ASEAN Foreign Ministers at Cebu, Philippines, in a meeting agreed on the qualifications for admission to EAS, that states must be dialogue partners with ASEAN, should be engaged economically in the region and be the signatories to the ASEAN Treaty of Amity and Cooperation.

China, Japan and South Korea automatically qualify, as does India since signing TAC followed by Australia and New Zealand. They were probably included as strategic assurance to Washington to allay any fears that the EAS would work against fundamental U.S. interests in the region.

Some Chinese scholars and officials have even proposed that the EAS become the “Asian coordinating group” for the Asia-Pacific Economic Cooperation forum except for the fact that, India is not an APEC member and would probably need to join APEC for this logic to work. Thus socio-economic issues should form the crux of the EAS agenda.

Many observers have envisioned the EAS as a sort of pan-Asian free-trade area, ahead of an Asian economic community, while others foresee an Asian Energy Community. On the other hand, others have hopes of an Asian financial community based on the existing Chiang Mai Initiative.

As long as Beijing and Tokyo fail to mend ties, the EAS will have little hope of taking off and Asia will remain split without Chinese or Japanese leadership — nor their co-leadership.

(Excerpted from *The Japan Times*, Dec. 13, 2005)

© *The Japan Times*.

Asian Interests and the Myth of Balance

Siddharth Varadarajan

At the first-ever East Asia Summit (EAS), in Malaysia along with ASEAN+3, Australia, New Zealand and India are on the



periphery of East Asia, have also been invited to the summit since they are considered vital to the economic geography of the region.

In the intervening decade and a half, the entire strategic scenario in Asia has changed. There are three distinct elements involved, first, patterns of trade and the nature of trading arrangements in Asia and the world have radically altered. At the same time, intra-Asian trade has risen dramatically. The trade of each Asian country with the group of 'Developing Asian Countries' increased at a much faster rate than its trade with the rest of the world during 1991-2000.

Secondly, the growth of China and India and the discovery of oil and gas in Central Asia have transformed the Asian energy scene since some of the largest producers and consumers of hydrocarbons are now located in the continent.

Thirdly, a host of new threats and security challenges have arisen in the run-up to 9/11 and its aftermath that require a collective Asian approach. Each of these three underlying changes on the trade, energy, and security fronts poses challenges and presents opportunities that require separate institutional mechanisms.

On the security front, the Shanghai Cooperation Organisation is evolving into a broad-based entity linking China, Russia, and the Central Asian countries with India, Iran, and Pakistan. There is also the Russia-India-China initiative that has involved frequent consultations on strategic issues.

On the trade front, the EAS process will likely to provide answers about the precise institutional shape that greater Asian cooperation will take. Along with the creation of an Asian free trade area with developing country safeguards, there is need for Asia to develop its own financial institutions.

On the energy front, pan-Asian energy grids will also give a major boost to regional political cooperation and inter-dependence.

Indian Foreign Secretary Shyam Saran in his speech to the India Economic Forum in November offered the U.S. India's help in this 'balance of power' game. "If we are looking at Asia in the coming years, there is no doubt that there is a major realignment of forces taking place in Asia," Mr. Saran said. "There is the emergence of China as a global economic powerhouse. There will be increased capabilities that China will be able to bring to bear in this region and even beyond. India also is going to be a major player in Asia ... I think India and the United States can contribute to a much better balance in the Asian region," he added.

In the light of developments in these three directions, the evolution of an Asian strategic architecture is only a matter of time.

(Excerpted from *The Hindu*, December 13, 2005)

© *The Hindu*.

ASEAN Can Lead Asian Community Process

Zainal Aznam Yusof

The first East Asian summit in Kuala Lumpur brought the biggest regional powers together on one platform. The East Asian and Asean Summits in Kuala Lumpur made modest headway, but a great deal needs to be done to realise the vision of the architects.

Kuala Lumpur declaration suggests that it would be a forum for dialogue on broad strategic, political and economic issues of common interest and concern. The long term aim would be to promote community building that is consistent with the realisation of the Asean community.

It also seemed to be a sensible approach as China or Japan or India are unlikely to take the lead to move East Asia to the next stage. The presence of Australia, New Zealand and Russia raises the old question about the criteria for East Asian club membership.

Priority should be given to moving ahead with the idea of building an ASEAN Economic Community (AEC). There are several engines of integration that are chugging along at different speeds and these must be fine-tuned in the next stage.

The building blocks of integration and community follow two tracks: there is the regional track which involves ASEAN forging free trade agreements and cooperation programmes with China, Japan, South Korea and India, and the bilateral track which involves individual countries in ASEAN forging FTAs and cooperation programmes with the same economies.

The first increases intra-Asia integration and the second increases intra-ASEAN integration. These arrangements will be the basis for a greater East Asian integration and economic foundation for an East Asian community.

Work on fleshing out the notion of an ASEAN community should begin in earnest now as progress towards an East Asian community is contingent on ASEAN making rapid progress on this front. This is where the experience of the EU may be useful but it must be adapted to the realities in Asia.

A hybrid approach has also been

mooted. One idea is to move towards an FTA-plus that includes some elements of a common market, such as free movement of labour and capital, and zero tariffs. The other idea is a sort of common market-minus arrangement where there are free flows of trade, labour and capital and the harmonisation of tariffs to zero, i.e. common external tariffs by 2020, which means that ASEAN would be a customs union by that date.

A great deal of work still needs to be done to realise the idea of a community of Asians and there will be many roadblocks ahead but the time for the work is now.

(Excerpted from *New Strait Times*, December 31, 2005)

© *New Strait Times*.

A Two-Pronged Strategy for Boosting Trade

Jayanta Roy, Principal Advisor, CII

The current state of play in the Doha Round negotiations underlines the importance of stronger bilateral and regional trading agreements for India. As of now, India has concluded trading agreements with Sri Lanka, Thailand and Singapore. In the regional context, SAFTA and BIMSTEC are yet to really take off. There are agreements in the pipeline with ASEAN, the GCC and, possibly, Korea. India has also benefited from joint study groups constituted with China, Korea and Japan. Bilateral dialogue has also intensified with the US and the EU.

The focus now should be on concluding meaningful agreements with important countries and regional trading groups after carefully studying the cost-benefit of each agreement. Simultaneously, India should take the lead in making SAFTA a strong regional trading agreement.

In this context, the long-term goal for India should be to lead the efforts towards formation of a strong Asian Economic Community that includes ASEAN, Japan, China, India and Korea. A prerequisite of that is to sign agreements with all the countries constituting it.

The key lessons emerging from India's experiments with trading agreements are that India should focus on having trade agreements with important countries and detailed analysis of the effects of a possible FTA on sectors and economy as a whole must be undertaken prior to signing an agreement. Trade facilitation concerns, including mutual recognition agreements on standards, customs collaboration agreements, and expansion of transport links,

have to be urgently addressed to remove all non-tariff barriers with each other. Domestic investment climate in India must be improved to encourage a larger flow of direct foreign investment.

The second part of the strategy calls for a strong SAFTA, with India taking the lead in that effort. South Asia, as a region, has performed poorly in trade as compared to other regions or its potential. India should draw a lesson from the determined manner in which China has taken over as a superpower in East Asia from USA. India should play a similar role in South Asia, since it accounts for 80 per cent of South Asia's GDP and is the best performer in the region, with the second highest GDP growth in the world.

Apart from diplomacy, it has to be backed by actions to boost trade. For this, we need to move simultaneously on two fronts—a regional initiative to improve trade facilitation and India opening its markets to its neighbours without reciprocity, by allowing duty-free imports from SAFTA countries.

(Excerpted from the *Financial Express* November 16, 2005)

© *Financial Express*.

Birth of a Forum for Dialogue on Asia

Nagesh Kumar, Director-General, RIS

With the emergence of strong regional trade blocs in other parts of the world over the past decade, the relevance of evolving a broader pan-Asian grouping has been attracting a lot of attention. It had been argued that with more than half the world trade conducted on a preferential basis, rather than on MFN basis, the threat of trade diversion from Asia was becoming increasingly potent. Asian leaders and statesmen had spoken of the importance of broader regional cooperation, asserting the Asian identity.

However, Asia lacked a forum for dialogue for such cooperation. The EAS provided the appropriate forum. Ironically, the historic event did not receive the comment and analysis it deserved in the media in the glare of a more colourful event—WTO's Hong Kong Ministerial in the same week.

However, EAS managed to take a landmark decision to create a forum for dialogue on broad, strategic, political and economic issues of common interest, with the aim of promoting peace, stability and economic prosperity in East Asia.

The leaders recognized the interdependence of their economies and sought to enhance cooperation and strengthen the bonds of friendship between them. They also affirmed EAS as an open, inclusive, transparent and outward looking forum. The areas of cooperation they considered important include promoting development, financial stability, energy security, economic integration, poverty alleviation, narrowing the development gap in East Asia through technology transfer and infrastructure development, capacity building and good governance.

It is clear that launch of the new forum, EAS, could be of far-reaching consequence for promoting broader regional cooperation in Asia. EAS members account for more than a fifth of global output and trade, half the world's population and more than two-thirds of foreign exchange resources. RIS studies show that integration of these economies can potentially generate substantial welfare gains. Hence, a key priority consideration for a future EAS would be to create an EAFTA as a framework agreement—coalescing and consolidating all mutual FTAs of EAS countries.

An Asian Monetary Architecture could be another priority for pooling reserves, as also an Asian Currency Unit, which could facilitate intra-regional trade and regional exchange rate stability. Energy security should also be high on the agenda. The New Delhi Conference on Asian Economic Integration found a case for launching an Asian Energy Forum as a regional counterpart of the International Energy Agency. The other proposals included architecture for cooperation in science and technology, a platform for discussion of global economic governance, cooperation and coordination between networks of think-tanks, initiatives for greater people-to-people exchanges and cultural interactions for strengthening an Asian identity.

Finally, the EAS rightly stressed on the need for adopting an inclusive framework for regional cooperation. Each of the EAS participants is a dynamic economy and brings to the grouping unique strengths that can be harnessed for mutual benefit.

To conclude, the launch of EAS as a forum for dialogue between Asian leaders represents a landmark development in the direction of regional cooperation in Asia. In coming years it will be an important vehicle for charting the agenda on broader integration for releasing the Asian dream.

(Excerpted from the *Financial Express* January 3, 2006)

© *Financial Express*.

Challenges and Future Prospects for East Asia

Kwon Yul, Research Fellow, Head, Southeast Asian Studies, Korea Institute for International Economic Policy

There has been a growing trend toward regionalism in East Asia since the 1997 financial crisis. In addition, increasing regionalism elsewhere has made it necessary for the East Asian economies to focus more on securing common regional interests in the multilateral trading arena. This trend toward East Asian economic integration has been accelerating under the ASEAN Plus Three, or APT framework.

Although the idea of holding an East Asia Summit was initially suggested as part of long-term plans to have the ASEAN Plus Three framework develop into an East Asian community, Malaysia and China have been insisting that EAS be held much earlier than planned since 2004. As a result, ASEAN countries, afraid of seeing a Chinese-led EAS, requested that the summit extend its membership to include Australia, New Zealand and India.

This leaves the question of identifying the nature of EAS. The participation of Australia, New Zealand and India in the enlarged summit has been under debate for months, as it may weaken common regional identity. Thus, clear distinctions must be made between various regional cooperation frameworks. To avoid a duplication of agendas and to develop a distinctive EAS, it is desirable that the APT framework serves to promote economic and financial cooperation in the region, leaving EAS to focus on diplomatic and security cooperation.

In terms of the regional cooperation frameworks that currently coexist in East Asia, Korea should exploit each and every one, be they small or large, including EAS, ASEAN+3, and ASEAN+1. Korea should contribute to building a collective security system in East Asia by promoting EAS to the level of diplomatic and security cooperation. At the same time, efforts should be channeled into turning APEC into an OECD for the Asia-Pacific region. Then, ASEAN+3 could evolve into an East Asian Free Trade Area in trade and strengthen the Chiang Mai Initiative in finance.

Northeast Asia, and not ASEAN, is the pivotal actor in dynamic East Asia, Korea should retain its firm footing in Northeast



Asia and focus on promoting economic diplomacy between China and Japan. In this context, Korea may benchmark the role of Belgium in the European Community and function as a hub country for the East Asian community. Consideration may also be given to a double-hub approach, under which Korea would take on the role of a hub country in Northeast Asia while Singapore carries out the same role in Southeast Asia.

(Excerpted from *Korea Herald*, December 12, 2005)

© *Korea Herald*.

Asian Economic Community — Potential to Unleash Regional Growth G. Srinivasan

After India refashioned its famous Look-East Policy, attention has now been focused on to the early launch of a pan-Asian regional cooperation group. Considering that New Delhi is not part of the principal regional trading arrangements (RTAs), it is time for India to pursue seriously the broader Asian integration plan. Though New Delhi has entered into a couple of free trade agreements — comprehensive economic cooperation pacts with individual countries in the Asian region — to cash in on trade preferences and investment opportunities, any sub-regional or bilateral attempts at regional cooperation, such as those under the framework of ASEAN and SAARC or the dialogue partners, though desirable, may not help in exploiting the entire potential of regional economic integration in Asia.

Dr Nagesh Kumar, DG, RIS, explains, in a *monograph*, this is because, the extent of complementarities is limited at the sub-regional levels because of analogous factor endowments and economic structures within a neighbourhood.

This is clear from the fact that trade patterns of ASEAN or SAARC countries with the East Asian countries is much larger than their subregional trade. The Prime Minister, Dr Manmohan Singh, at the SAARC Business Leaders Conclave in Delhi, 2005, stressed that even after two decades, SAARC has not exploited the economic potential of this region as intra-SAARC exports are a mere 5 per cent of the region's exports. By comparison, intra-EU exports are 55 per cent, intra-Nafta exports are 52 per cent and intra-ASEAN exports are 20 per cent. There may be limited trade expansion within SAARC, but this is entirely reversible if the SAFTA comes into force from January 1, 2006, provided there is political will.

It is precisely for this reason that the different parts of the region drumming up support for pan-Asian cooperation and integration.

Dr Singh contends that an Asian Economic Community combining Japan, the ASEAN countries, China, India and South Korea would prove to be an arc of advantage, across which there would be large-scale movement of people, capital, ideas and creativity. This seems an eminently sensible proposition because ASEAN and the other dialogue partners — Japan, ASEAN, China, India and Korea (the JACIK countries) — are all working to evolve FTAs among themselves, which is likely to lead to a pan-East Asian FTA.

RIS research studies have found conclusive evidence of complementarities in the JACIK countries' production and trade structures. The trade policy liberalisation must be accompanied by additional measures such as freer capital mobility, harmonisation of customs procedures and product standards and mechanisms to ensure a fair distribution of gains.

Trade liberalisation in the RTA framework can achieve efficiency gains worth US\$147 billion. When the RTA is combined with investment liberalisation and mobility of skilled manpower, the gains from integration add up to US\$210 billion, representing more than 3 per cent of the combined GDP of JACIK countries.

Experts also suggest that the trade and investment cooperation could be complemented by monetary and financial partnership for energy security and in core technologies.

RIS research team pointed out that developing countries in Asia would need to spend an estimated US\$377 billion per year between 2006 and 2010 on roads, railways, airports, ports and electricity. For India, they estimate an investment in infrastructure of US\$367 billion during 2006-10, against the estimated US\$215 billion during 2001-06.

(Excerpted from *The Hindu Business Line*, November 25, 2005)

© *The Hindu Business Line*.

Asian Moves Require Close Attention

Honigmann Hong, Associate
Research Fellow, Taiwan Institute of
Economic Research

The first high-profile East Asia Summit has come to an end after Japan, China

and other ASEAN member states got what they wanted and compromised with one another on other issues. During negotiations leading up to the summit, Japan, Singapore and Indonesia successfully increased the summit's membership to include Australia, New Zealand and India in order to dilute China's influence.

Therefore, we can only wonder if the EAS was intended to provide regional superpowers such as the US and Japan, and rising powers such as China with a platform to mitigate mutual differences, or if it was taking the first step toward stronger political and economic cooperation and a distinct framework for an "East Asian Community."

Although the EAS has yet to discuss anything substantial, a new framework for regional integration in East Asia has already come into play. By including more members, the EAS stresses the importance of non-trade agendas such as regional security and political cooperation, while "ASEAN plus three" is directed at enhancing economic and trade integration in East Asia in addition to the progress it has made in stabilizing financial markets and ensuring energy security.

Although the EAS has transformed into a new mechanism for dialogue, it still cannot alter the current situation in which nations are "talking regionally but acting bilaterally." Signing bilateral free-trade pacts is still the favored policy of many members. In addition to signing well-publicized deals with Japan, Singapore and Malaysia, China is seeking free-trade deals with more nations. Currently 27 nations have signed free-trade pacts with China.

Unlike the three major economies — the US, the EU and Japan — China has not adopted a "dual track strategy" when dealing with trading systems such as the WTO and FTAs. That is, China tries to emphasize the importance of both the WTO and FTAs. China's future economic and trade policy is likely to lean toward regionalism or signing FTAs with more nations.

Apart from facing up to the reality of international politics and calmly analyzing the political climate in East Asia, Taiwan has to continue to strive for domestic political and economic reform, and use its increased marginalization in international affairs to its benefit.

(Excerpted from *Taipei Times*, December 23, 2005)

© *Taipei Times*.

Towards an Asian Economic Community : An Agenda for the East Asia Summit – Reflections from Asian Think-Tanks Dialogue on Broader Asian Economic Integration

RIS and ISEAS, 2006

ISBN : 81-7122-096-7

The 1990s have witnessed emergence of strong regional trading blocs in different parts of the world led by EU's Single Market and NAFTA among others. Asia has lagged behind in this trend. However, currently there is great interest in Asia in the potential of regional economic integration for exploiting their synergies for mutual benefit as evident from proliferation of initiatives at sub-regional and bilateral FTAs in the region especially those between ASEAN and its dialogue partners, viz. Japan, China, South Korea and India. From these attempts a virtual Asian economic community is emerging. However, the sub-regional and bilateral FTAs have their limitations in fully exploiting the potential of regional economic integration and in providing a seamless market to Asian businesses to become more competitive and productive. It is therefore widely believed that Asia needs a broader pan-Asian framework for regional economic cooperation that could evolve in a phased manner.



This publication presents outcomes of a policy dialogue involving premier Asian think-tanks and leading experts of Asia conducted during 2003-05 on the relevance of broader cooperation, possible approaches and a roadmap.

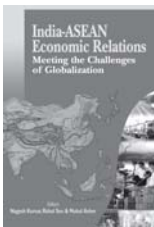
India - ASEAN Economic Relations : Meeting the Challenges of Globalization

Editors : Nagesh Kumar, Rahul Sen & Mukul Asher

ISEAS and RIS, 2006

ISBN : 81-7122-095-9

The volume is based on the papers presented at the ASEAN-India Forum organized by the ISEAS, Singapore on 9-10 February 2004. Leading experts of the region in their contributions to this book examine the ways in which the emerging partnership between



India and ASEAN can be taken forward for mutual benefit, so that the two sides can leverage on each other's strengths to better negotiate the forces of globalization. Specifically, the book addresses the issues concerning the trade liberalization in both regional multilateral contexts and goes onto examine the prospects for investment flows and trade in financial services and information and communication technology. It also deals with the potential of sub-regional cooperation and the strategic implications of India-ASEAN cooperation.

India and South East Asia: Towards Security Convergence

Sudhir Devare

ISEAS, 2006

ISBN: 981-230-344-8

The book presents the essence of the closer ASEAN-India partnership and how it has evolved over the years. It examines the areas of comprehensive security and the growing understanding between India and Southeast Asia where there is less divergence and greater convergence. It also argues that India-Southeast Asia security convergence should not be aimed at any particular country. The book also suggests that both India and Southeast Asia are on the learning curve and therefore they can and should learn from each other, be it the effects of globalization, social progress, democratization, the creation of infrastructure or the management of traditional and non-traditional security threats.

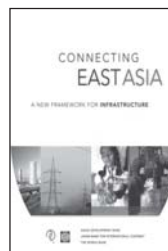


Connecting East Asia: A New Framework for Infrastructure

ADB, JBIC and World Bank, 2005

ISBN: 0-8213-6162-7

Co-published with the Japan Bank for International Cooperation and the World Bank, this study provides suggestions on a "new framework" for infrastructure development in East Asia. The publication presents an approach that will help avoid costly mistakes and allow policymakers, development partners, non-governmental organizations, and the public and private sectors to work together toward the successful provision of infrastructure.



Connecting East Asia looks at the role that infrastructure has played in supporting East Asia's growth and looks ahead at what the challenges are for the future, and how to approach them.

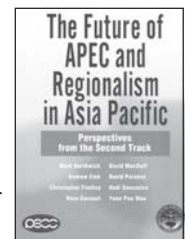
The Future of APEC and Regionalism in Asia and Pacific: Perspectives from the Second Track

Mark Borthwick, David MacDuff, et. al.

Centre for Strategic and International Studies (CSIS) and Pacific Economic Cooperation Conference, 2005

ISBN: 979-8026-88-8

This volume is a recent collection of papers on Asia Pacific Economic Cooperation. The contributors touched upon some crucial issues such as the possibility of binding commitments within the APEC process, the restructuring of the APEC secretariat into an OECD – type institution, US attitude towards greater East Asian integration and rethinking what open regionalism means today



Annual IPS – NTU ASEAN 9+1: Competitiveness Ranking Indices

Tan Khee Giap, Brenda Wong Yin Yin, et. al.

Institute of Policy Studies and Marshall Cavendish Academic, 2005

ISBN: 981-210-447-X

The annual Global Competitiveness Report (GCR), 1979, had provided a benchmark as well as a framework for measuring the competitiveness of individual nations and ranking them against each other.

On these lines the present volume is the first attempt by the IPS and Nanyang Technological University to provide valuable insight into the comparative competitiveness of ASEAN nations. The volume identifies the respective strategic strengths and limitations of most of the ASEAN countries. The volume covers only 9 countries, including China in view of its recent emergence as a regional economic powerhouse.

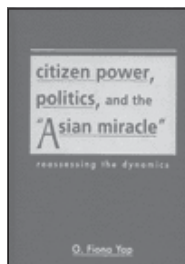


RESOURCES

Citizen Power, Politics, and the "Asian Miracle": Reassessing the Dynamics

Yap, O. Fiona
Lynne Rienner,
Boulder, 2005
ISBN: 1588263444

This is an exploration of the nature and exercise of citizens' economic cooperation and weight in the newly industrialising countries of South Korea, Taiwan, Singapore, Malaysia,



Continued from page 1 (Feature Article)

develop a regional institutional infrastructure for scientific and technological cooperation among the EAS countries. This would enable the participating nations to exploit the synergies and complementary capabilities for bridging the digital divide and also to meet the challenges of hunger and disease.

It was recommended to hold annual meetings of EAS Ministers of Trade and Industry and Finance and Central Bank Governors to complement the annual summits of EAS, in pursuing the agenda of regional economic integration, and also for more effective participation in shaping the global governance and decision making in multilateral institutions.

For promoting cooperation and coordination among the think tanks of the EAS countries, it was agreed to further strengthen the existing network of various institutional think-tanks to make them more responsive to the changing environment and to face the challenges of regional economic integration in an effective manner.

It was recommended to initiate greater people-to-people exchanges, cultural interactions and educational media and youth exchanges to develop an Asian identity or 'Asianness' or 'One Asia'. This could be achieved by setting up of an Asian Cultural Foundation covering different dimensions of Asia's rich cultural heritage.

The conference concluded that given the resolve and determination among the Asian leaders to move forward on the path of regional economic integration the Asian dream could be realized within an agreed time frame.

(Source: Agreed Summary Record of the Conference available at <http://www.ris.org.in>).

Indonesia and Thailand during the 1980s and 1990s. Each country's politico-economic structure is outlined. The nature and level of citizens' economic cooperation with government, particularly in relation to the various manifestations of the Asian economic crisis, are explored.

Towards a Broader Asian Community: Agenda for the East Asia Summit

Nagesh Kumar

Drawing upon the recent work conducted at RIS and other think-tanks, this paper finds a compelling case for broader regional economic integration in Asia. It finds a case for formation of a broader economic community in East Asia coalescing the emerging web of FTAs linking Japan,

ASEAN, China, India and Korea into a region-wide or an East Asian RTA that could be a core of an East Asian Community. The East Asian Community could be eventually expanded to cover other Asian countries in an Asian Economic Community. It has been shown that economic integration in East Asia or JACIK could enable the region to resume its rapid growth and help it emerge as the center of gravity in the world economy. The simulations made suggest that such a grouping would enhance welfare of the partners as well of the rest of the world, hence would be a win-win for the world economy. It also discusses the potential of cooperation in other areas such as monetary and financial system, energy security, new technologies, global governance and security. It is concluded with an agenda for the East Asia Summit.

(RIS Discussion Paper, # 100, 2005).

Further Readings

- Eagle's Eye : Will East Asia Forum Take Off? Central Chronicle.com, December 27, 2005.
- Integration, No; Major Power Rivalry, Yes., Eric Teo Chu Cheow, *The Jakarta Post*, December 14, 2005.
- India's Asia Moment, C, Rajamohan, *The Indian Express*, December 13, 2005.
- Step Closer to a Unified Asia. Eric Teo Chu Cheow. *China Daily*, December 12, 2005.
- Can the EAS Realise the Asian Dream?, Nagesh Kumar, *Financial Express*, December 6, 2005.
- Asian Powers Seek Elusive Chemistry at New Summit, *Financial Express*, December 6, 2005.
- Unified Asian Voice Will Sound Louder, *The Korea Herald*, December 1, 2005.
- First Steps Towards Asian Economic Integration, Rahul Sen, *Business Times*, November 29, 2005.
- Washington's E. Asia Policy Needs Adjustment, Comment, Yu Wanli, People's Daily Online, November 28, 2005.
- Asian Currency Unit Sets Stage for Integration, *asahi.com*, November 5, 2005.
- Japan Sees Shared Role with China in Asia, Kathleen Hwang, *monstersandcritics.com*, November 4, 2005.
- China Leads in Advocating Free Trade, *China Daily*, November 2, 2005.
- Tokyo Lacking Community Spirit, Axel Berkofsky, *Asia Times*, October 5, 2005.

The New Asia Monitor is a quarterly of the New Asia Forum launched by RIS. It 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. The information contained has been compiled from various sources, as cited, purely for educational and dissemination, and not commercial, purposes. The copyrights of the material included remain with the original sources. The *New Asia Monitor* is available free from RIS or can be downloaded from www.newasiaforum.org.



RIS
Research and Information System
for Developing Countries

Core IV-B, Fourth Floor,
India Habitat Centre
Lodhi Road, New Delhi-110 003, India.
Ph. 91-11-24682177-80
Fax: 91-11-24682173-74
Email: dgoffice@ris.org.in
Websites: <http://www.ris.org.in>
<http://newasiaforum.org>

Associate Editor: Beena Pandey