

## ASIAN ECONOMIC COMMUNITY COULD DRIVE ASIA'S EMERGENCE AS THE EPICENTER OF THE GLOBAL ECONOMY

SHRI PRANAB MUKHERJEE, EXTERNAL AFFAIRS MINISTER OF INDIA

### FEATURE ARTICLE

The Sixth High-Level Conference on Asian Economic Integration is an important example of intellectual co-operation between Asian institutions and experts that is the need of the hour for promoting broader Asian regional cooperation. Our minds have to meet before our economies can and this gathering of Asian scholars is very much needed to kick-start our efforts for realizing the Asian dream. I commend RIS for taking this initiative to launch a long-term programme of networking with Asian think-tanks with the aim of providing a roadmap to Asian leaders and policy makers.

When we talk of Asian economic integration and its potential, we often hear how the 21st century is destined to be the Asian century. A peep into Asian history will show that this is not as revolutionary a state of affairs as is sometimes presumed. The Asian continent was the centre of gravity of the world economy for much of the previous millennium. Indeed, China and India were world leaders in terms of technological and economic development during most of the period from 500AD to 1500AD. Both countries constituted significant political systems and sophisticated economies, bolstered by well-developed industries, overseas trade and important advances in science and mathematics that led to some of the most important inventions of the time. The economic progress achieved by Asia in the fifty years since the end of the Second World War has been the fastest in human history. These developments constitute the backdrop of the vision that sees the



(From left): Mr. Pranab Mukherjee, Hon'ble Minister of External Affairs delivering the Inaugural Address; Dr. Nagesh Kumar, Director-General, RIS; Ambassador K. Kesavapany, Director, ISEAS, Singapore; Dr. Arjun Sengupta, M.P. and Chairman, RIS; Dr. Hidetoshi Nishimura, Special Advisor to IDE President on ERIA, IDE/JETRO, Tokyo; Prof. Yao Chao Cheng, Shanxi University of Finance and Economics, Taiyuan, P.R. of China at the inaugural session of the conference.

center of gravity of the world economy shifting to Asia in the 21st century.

Series of attempts have been initiated in the area of economic integration by setting up of FTAs like the ASEAN Free Trade Area (AFTA) and the SAFTA. In addition, China, Japan, India and South Korea are working with ASEAN on comprehensive economic cooperation pacts, covering FTAs to be implemented in the coming decade. There is a growing realization that we need an overarching framework for these important initiatives that help the countries of the region exploit the synergies between them for mutual advantage. Hence, proposals for a pan-Asian economic grouping such as that of an Asian Economic Community have begun to be discussed.

The dynamics of globalization and the growing economic potential of Asia justify

the resurrection of that vision of Pan-Asian regionalism. Driven by this vision, India has been striving to strengthen relations with its Asian partners who are gathered under the umbrella of the East Asian Summit. We believe that such cooperation is economically logical and will help make this century the century of Asia.

With the two way trade of India with EAS countries crossing \$80 billion, East Asia as a region is today India's largest trade partner, ahead of EU and also ahead of the US. This region has also emerged as an important region for two way investment flows and other economic exchanges. India's policy initiatives vis-à-vis East Asia are the logical consequence of our new economic policies, which emphasize openness and integration.

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## GREATER INTEGRATION NEEDED BETWEEN INDIA AND CHINA

Deputy Chairman of the Indian Planning Commission, Dr. Montek Singh Ahluwalia said at an event organised by the CII (China Office) and China Economic Review with the support of the Indian Consulate General, in Shanghai, that the greater integration and interaction between India and China, especially in the infrastructure sector will drive economic growth of both Asian giants. He also stated that the target to enhance the bilateral trade between India and China to US \$40bn by 2010 would

easily be met before the deadline.

Dr. Ahluwalia said India had a lot to learn from China on the infrastructure front as China's success in infrastructure is well known worldwide, and now the challenge for us is to make Mumbai, a Shanghai. He was also of the opinion that there is need to think twenty years ahead and set a more ambitious target, where the composition of Indian trade should reflect products of contemporary India such as software, pharmaceuticals and

engineering.

He suggested public-private partnerships to build infrastructure facilities in India as India presented huge investment opportunities for Chinese and other foreign companies in infrastructure. The Indian Government has announced an investment plan of about US \$ 500bn over the next five years in infrastructure at the current dollar rate, with about 40 per cent of that going towards power generation.

As the Indian economy

expands, demand for investment in higher education would rise enormously, for that he stressed on public-private partnerships in education. India would require major upgradation of vocational and higher education institutions to meet India's growing human resource demands. As for the healthcare sector, he was glad to see Indian pharmaceutical companies operating in China and exploring market opportunities in both geographies.

(Excerpted from the *India Infoline News Service*, 15 November 2007).

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## \$2 BILLION EAST ASIA ECO-AID PLAN UNVEILED

Japanese Prime Minister Yasuo Fukuda at a Summit with Asia-Pacific leaders in Singapore, pledged to provide \$2 billion in foreign aid over the next five years for fighting environmental problems in East Asia, including water and air pollution. As part of an initiative, Japan also proposed launching an "environment dialogue" between Japan and the ASEAN under which Japan will support operations to protect biodiversity in ASEAN and promote eco-tourism in Asia.

Other areas of co-operation include supporting management of forest resources in East Asia by utilizing information gathered by Japanese

satellites and setting up a cooperation network to protect coral reefs. Japan has been also planning to launch the Greenhouse Gases Observing Satellite, (GOSAT), to monitor from space the density of carbon dioxide and would share the data with other nations as part of the initiative.

With an eye to promote education on environmental issues, Japan would establish a network for exchanges among graduate schools in East Asia. Over the next four years, Japan would also invite more than 500 graduate students from around Asia who are majoring in environment-related fields to visit Japan.

(Excerpted from the *Japan Times*, 22 November 2007).

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## ASEAN NATIONS URGED TO BOOST ECONOMIC TIES, ADDRESS ENVIRONMENTAL WOES

Singapore's Prime Minister Lee Hsien Loong, in his keynote address at a business leaders' meeting ahead of the annual ASEAN summit, in Singapore, said that South-east Asian countries must jointly build a cohesive economic community to compete with China and India but not at the expense of the environment. He stated that ASEAN should be the root of Asian economic growth and our countries offer complementary advantages to businesses, and a neutral core around which the rest of Asia can build economic ties, and a regional framework of co-operation. To sustain this, ASEAN has to become more integrated and cohesive, then only we can keep up with

larger and stronger economies like China and India.

Foreign investments flowing into Southeast Asia hit a record high last year and the region has moved toward freer trade. Still, it grapples with pockets of poverty and protectionism, as well as daunting competition from China and India. Lee said a more integrated ASEAN would be better able to strengthen relations with its trading and investment partners. He noted that the regional bloc has been negotiating FTAs with China, South Korea, Japan, India, Australia and New Zealand, as well as the European Union.

(Excerpted from *Thestaronline.com*, November 18, 2007).

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## THIRD EAST ASIA SUMMIT SEEKS TO ADDRESS CLIMATE CHANGE AND ENVIRONMENTAL ISSUES

At the Third East Asia Summit held in Singapore, the Heads of State showed their concern about the adverse impact of climate change on socio-economic development, health and environment in developing countries. They also recognized that rapid economic development that have contributed to sustainable development and poverty eradication in the region has been posing new challenges in dealing with greater energy consumption.

The member states reaffirmed their commitment to take an effective approach to the inter-related challenges of climate change, energy security and other environ-

mental and health issues. They also appreciated the efforts of the various EAS member countries' contributions to address the climate change and emphasized on collective action to be played by EAS.

To this end, the leaders signed the Singapore Declaration on Climate Change, Energy and the Environment, which aims to support the work to achieve a common understanding on a long-term aspirational global emissions reduction goal to pave the way for a more effective post-2012 international arrangement. They also agreed to work towards achieving a significant reduction in energy intensity

and to work to achieve an EAS-wide aspirational goal of increasing cumulative forest cover in the region by at least 15 million hectares of all types of forests by 2020.

In this endeavour, the leaders also agreed to promote environmental education to enhance human resource capabilities to address the challenges of ensuring sustainable development in EAS participating countries. To address the environmental challenges posed by the rapid urbanisation in the region, the leaders agreed to pool their experiences, expertise and technology in the areas such as urban planning, transportation, green

building, water management, urban greenery and urban biodiversity conservation, sanitation and waste management and air, water, noise and land pollution control.

The Heads of State also agreed to the establishment of the Economic Research Institute of ASEAN and East Asia (ERIA) to be temporarily accommodated at the ASEAN Secretariat. They welcomed the study report by scholars on CEPEA and encouraged them to submit a final report of recommendations at the forthcoming 4<sup>th</sup> EAS.

*(Excerpted from the Singapore Declaration on Climate Change and the Environment, Singapore, 21 November 2007).*

## ASIA RISING BUT POWER SHIFT PREMATURE

At the India Economic Summit, jointly organised by the WEF and CII, in a session on 'Shifting Power Equation,' President, CII, said that the drivers of world growth have shifted to Asia, with India emerging as a strong force in the region and in the world. On the same platform, Klaus Schwab, Founder and Executive Chairman, WEF, emphasized global citizenship and India's increased responsibilities as it takes its place in the world.

Mr. P. Chidambaram, Minister of Finance of India, said that with India and China now contributing sixty per cent or more to global GDP growth, it is

clear that the drivers have shifted from the developed world to developing economies. He also clarified that this does not mean that economic power has shifted, developed countries have enormous competitive advantages in the areas of knowledge and financial resources, and in the control of material resources. He also pointed out that India's competitive advantage would come from its ability to produce quality goods and services at lower cost, its nimbleness and ability to innovate, its diversity and its huge human asset its demographic dividend.

*(Excerpted from the [www.weforum.org](http://www.weforum.org)).*

## RIS ORGANISED SIXTH HIGH-LEVEL CONFERENCE ON ASIAN ECONOMIC INTEGRATION: AGENDA FOR THE EAST ASIA SUMMIT

RIS in collaboration with the Institute of South East Asian Studies (ISEAS), Singapore; and the Institute of Developing Economies (IDE)/JETRO, Tokyo, with the support of Sasakawa Peace Foundation (SPF), Tokyo, organised a High-Level Conference on Asian Economic Integration: Agenda for the East Asia Summit on 12-13 November 2007 in New Delhi. This was aimed at contributing to the process of regional economic

integration in Asia and to provide inputs for the Third East Asia Summit (EAS) that held in Singapore on 21st November 2007.

The Agenda and documents of the conference are available at the RIS website: [www.ris.org.in](http://www.ris.org.in). The summary record of the discussion and its deliberations that suggested some key priorities for the EAS process at the conference have been presented in the *RIS Policy Brief* No.33, November 2007.

## CHINA, INDIA FACTOR PUSHES ASEAN INTEGRATION

Mr. Lim Hng Kiang, Singapore's Minister for Trade and Industry, at the ASEAN Business and Investment Summit, said that ASEAN must complete economic integration in the next three to five years to get this economic integration done to be able to compete with China and India.

Mr. Cham Prasidh, Cambodia's Senior Minister and Minister of Commerce, is confident that faster integration will contribute to a freer flow of goods, labour, services and capital. He likened the signing of the ASEAN Charter that would solidify the region's integration, making it a more rules-based organisation to a "wedding certificate" and the ASEAN Economic Community Blueprint to a "marriage contract."

EIU, in its new report stated that amid heated competition from China and India, ASEAN is pushing ahead to integrate itself into a single market

and production base by 2015 and to drive intra-regional trade which has been shrinking. Intra-ASEAN trade fell from 22.4 per cent of the grouping's total trade in 2000 to nearly 20.9 per cent last year, which "presents a potentially concerning trend," said the report.

According to the ADB study, a free-trade zone in ASEAN's 10 states plus Australia, China, India, Japan, New Zealand and South Korea would bring more benefits than any of the region's smaller trade pacts. Its analysis showed that a 16-nation FTA, if realised from 2017, would bring the nations annual gains totalling US\$285 billion, compared to an estimated US\$228 billion in gains under an East Asia-wide FTA covering only thirteen countries, excluding Australia, India and New Zealand.

(Excerpted from the *TODAYonline.com*, 19 November 2007).  
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## CHINA, INDIA GROWTH MAY PROMPT ENERGY CRUNCH: IEA

International Energy Agency in its *World Energy Outlook 2007*, revealed that for the world already facing a huge energy challenge, the next ten years are going to be critical primarily because two of Asia's most populous countries China and India are going to be large consumers of energy to fuel their economic growth and there is a case for all countries to take vigorous, immediate and collective action to curb runaway energy demand. The report also predicted that adding both countries' energy use is set to more than double between 2005 and 2030.

Mr Nobuo Tanaka, Executive Director of IEA, suggested that energy developments in China and India are transforming the global energy system as a result of their sheer size and growing importance in international energy markets. If governments around

the world stick with existing policies, the world's energy needs would be well over 50 per cent higher in 2030 than today even as China and India together account for 45 per cent of the world's increase in global primary energy demand.

Among the worldwide fossil fuels, coal would continue to dominate the fuel mix and is set to grow most rapidly, driven largely by the power sector demand in China and India. China is expected to overtake the US to become the world's biggest emitter this year, while India becomes the third largest emitter by around 2015. IEA is clearly targeting both China and India for not only for greater cooperation for energy conservation but also for eventual IEA membership.

(Excerpted from the *Hindu Business Line*, 8 November 2007).  
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## CHINDIA TO BE WORLD'S NEW R&D BRAIN TRUST

According to a study, conducted by Batelle, the world's largest independent R&D organisation based in the US, finds that the long history of R&D interactions among the US, Western Europe and Japan has been growing to include the rest of Asia, specifically India and China. The focus of global R&D is shifting from the US to Asia, specifically India and

China. This study shows that within ten years, the global R&D activity will get loosened from the US domination, and be split into thirds between the US, EU, and China and India in terms of efforts, funds and activity.

However, this shift, is not just in terms of expenditures and investments, but a structural upheavals in the R&D enterprise and the

complex interplay between funders and performers. One of the key factors driving this change is that outsourcing and offshoring of R&D is becoming increasingly prevalent among all players in the R&D enterprise, with the US leading the trend. Close on the heels though are the EU and Asia, increasingly offshoring R&D to the US in order to be in a better position

to enhance their market shares. The study predicts that competition for R&D funds will get more intense, as the globalisation of R&D grows. Companies who are aiming to understand trends in order to make the best investments and to capitalise on the global economy, will look wider in their commitments.

(Excerpted from the *Economic Times* 15 October 2007).  
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## PHILIPPINES BACKS INDIA'S 'LOOK EAST' POLICY FOR MORE COOPERATION

President of Philippines, Gloria Macapagal-Arroyo said that the India, now the world's fourth largest economy, has made impressive economic strides in recent years, and Philippines supports India's "Look East" policy that could open more opportunities for cooperation and integration between their economies.

She further added that India is becoming an undeniable driving force behind global economic growth, because of the growing market of India and China, and growth in Asia is transitioning from being export-driven to being domestically-driven. With the growth of India,

along with China, to add to the power of Japan in the region, the Philippines would benefit from this growth. India's ascendance to the world economic stage has political, economic and strategic implications for both India and the East Asian region, as this is a positive development, and the main reason why we support India's 'Look East' policy and their plans to integrate with both South Asia and Southeast Asia. She was also hopeful that this policy will include greater economic integration between the Philippines and India through closer political, economic and security engagements, and

cooperation in tourism and movie production. Apart from the biggest supplier of medicines at subsidized rates, India is also into textile, business process outsourcing (BPO) and steel in the country.

Later at a CII meeting, the President encouraged Indian pharmaceutical companies to set up production base in Philippines not only for the domestic market but also as a base to export to North East Asia, Australia and New Zealand.

(Excerpted from the *philstar.com*, *Economic Times* 4 & 5 October 2007).

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## EAST ASIAN TRADE STRATEGY A WAKE UP CALL FOR US

Republican US Senator Lisa Murkowski said at a Washington forum on East Asian economic integration and US-Japan relations, that East Asia's moves to forge a giant free trade area is a wake up call for the United States after being fixated on the Middle East. Studies are underway to consider the possibility of establishing FTAs one between ten Southeast Asian nations and China, Japan and South Korea, and the other between the thirteen economies and India, Australia and New Zealand.

The moves have caused some concerns in the United States, whose proposal for a mega FTA covering 21 Pacific Rim economies has in effect been rebuffed by China, Japan as well as several other East Asian economies. She said that over the past several years, our focus and attention has been on the Middle East, Iraq, Iran, and the Israeli-Palestinian peace process. However, it would be easy for US policy makers to view greater economic integration within East Asia as a threat to US trade influence in the region, it provided Washington with an opportunity "to give our own trade agenda a much needed jump-start."

(Excerpted from the *Daily Times*, 7 December 2007).  
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## INDIA KEEN ON COMPREHENSIVE PARTNERSHIP WITH EAST ASIA

India's problems with the FTA being worked out with the ASEAN notwithstanding, the country is eagerly exploring the possibility of entering into a comprehensive economic partnership agreement (CEPA) with the sixteen East Asia Summit (EAS) members, including the ten ASEAN countries, China, Japan, Korea, Australia and New Zealand.

According to Dr. Nagesh Kumar, DG, RIS, who represents India in the Joint Study Group, which was constituted for carrying out the feasibility study with an expert from each country on CEPA, all members are positive about an agreement

covering goods, services and investments. Dr Kumar said India had realised the importance of getting close to its East Asian neighbours way back in 1992, when it launched its Look East policy.

Since India couldn't be part of ASEAN+3 and the SAFTA has not yet shown signs of being a strong grouping, EAS is a good opportunity for the country to get integrated with a powerful trading bloc. India sees it as the building block for the East Asian Community envisaged by many, including Indian Prime Minister. East Asia also happens to be India's largest bilateral trading bloc with China and the ASEAN

countries together accounting for \$53 billion annual trade.

Further, Dr Kumar also stated that EAS has a special significance for India as it is already engaged in bilateral negotiations with a number of members. Currently, negotiations for trade agreements are on with ASEAN, Japan and South Korea and similar arrangements are under consideration with China, Indonesia, Malaysia, Australia and New Zealand. A CEPA with Singapore has already been signed and early harvest scheme of an arrangement with Thailand is operational.

(Excerpted from the *Economic Times*, 9 November 2007).

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## INDIA'S RELATIONSHIP WITH ASEAN – PILLAR OF 'LOOK EAST' POLICY

MANMOHAN SINGH, PRIME MINISTER OF INDIA

India is privileged to be part of a process that is contributing to ever widening circles of prosperity. Our relationship with the ASEAN countries is the pillar of our "Look East" policy. Ever since we became Sectoral Dialogue partners of ASEAN fifteen years ago, we have taken substantial strides in integrating our economies, societies and institutions.

India is now on a new growth trajectory, where sustained economic growth of 9-10 per cent per year seems possible. Our expanding market, human resources and strengths in science and technology and the knowledge economy are what we contribute to the process of economic integration.

The most striking achievement of our engagement so far is that the target of bilateral trade of 30 billion dollars that we had set for ourselves for the year 2007 has already been achieved. Exports of ASEAN member countries to India have grown at a phenomenal rate of over 65 per cent last year. This shows that India is a willing partner in the integration of our economies, and is committed to free trade.

I would like to commend our hosts for organizing the exhibition "On the

Nalanda Trail: Buddhism in India, China and Southeast Asia" and are happy to announce that we have created the India-ASEAN Science and Technology Fund with an initial corpus fund of 1 million US dollars to encourage collaborative R&D and technology development to harness knowledge for the creation of wealth. Our exchange programmes for students and diplomats from ASEAN have received enthusiastic responses and we would soon make the training courses for them a yearly feature.

Given the results so far, I propose that we set a bilateral trade target of 50 billion US \$ by the year 2010. To facilitate this, we should agree on a process to simplify the visa regime for businessmen to travel from India to ASEAN and vice-versa. Further, I also propose that the India-ASEAN Working Group dealing with health be directed to prepare a "India-ASEAN Health Care Initiative," with a focus on providing basic drugs at low cost to our public health systems through joint production of medical formulations and to develop a framework for cooperation in traditional medicine systems.

Climate change has emerged as a major challenge, especially for develop-

ing countries. We can gain from a knowledge partnership in this area. In India we are already in the process of identifying a centre of excellence for climate change and for that I would propose the setting up of an India-ASEAN Network on Climate Change that would pool and share expertise, exchange best practices and submit recommendations for common positions taking into account national priorities. I also propose to set up an India-ASEAN Green Fund with an initial contribution of US\$ 5 million for pilot projects to promote adaptation and mitigation technologies.

In the final analysis, if the India-ASEAN process is to take root, it must become a people's movement. On earlier occasions, I have shared with you India's vision of an Asian economic community consisting of an integrated market and linked by efficient road, rail, air and shipping services. The creation of this "arc of advantage" will be possible if we can successfully create a robust institutional architecture for regional cooperation and action.

(Excerpted from the Statement delivered at the 6<sup>th</sup> India-ASEAN Summit, Singapore, 21 November 2007).

## EAST ASIA'S DRAMATIC TRANSFORMATION

LEE HSIEN LOONG, PRIME MINISTER OF SINGAPORE

At present, East Asia's dramatic transformation is the biggest growth story, powered by the rapid emergence of China and India. While the recent turbulence in global financial markets does not alter the broader picture of an increasingly dynamic and resilient East Asia.

Over the last decade, East Asia has become more integrated, reflecting the growing intra-regional trade, investment and people linkages. Intra-EAS trade now accounts for almost 60 per cent of the total foreign trade of the member countries. East Asian countries still depend on key markets in the US and Europe, but the strong and growing

demand from within the region is making its growth more self sustaining.

The East Asia Summit (EAS) is a response to these intensifying linkages between our countries. It is a forum to promote cooperation, while managing healthy competition in the region. It is also a platform to manage the complexities of a rapidly changing regional environment, so as to preserve favourable conditions for growth and prosperity in East Asia. By coming together in the EAS, our whole is greater than the sum of our sixteen individual parts.

At the second EAS in Cebu, we focused on energy security, financial inte-

gration, economic cooperation, and the revival of Nalanda University as a concrete area of cooperation. The ongoing studies on the CEPEA are also significant. This will propel the EAS into its next phase of development and enable it to better contribute to stability and growth in East Asia.

The EAS is still a relatively new grouping, but it has started off on a strong footing, and we should seize the momentum to push the process forward and build an open and inclusive East Asian community.

(Excerpted from the Opening Plenary Remarks at the Third East Asia Summit, Singapore, 21 November 2007).

## OPPORTUNITIES AND CHALLENGES TOWARDS REGIONAL INTEGRATION IN EAST ASIA

ONG KENG YONG, FORMER SECRETARY-GENERAL OF ASEAN

Asia is the most dynamic region in the world today. ASEAN has certainly benefited from Asia's continued expansion, growing by six per cent in 2006.

Currently, amongst various initiatives on regional cooperation, ASEAN Plus three countries have developed a web of cooperation spanning the cultural, economic, political, security and social areas. The growing interdependent economic relations between ASEAN and the Plus Three countries prompted the pursuit of a higher form of economic relations through the establishment of FTAs with each of the plus three countries. In line with this, there is also great interest in the establishment of an East Asian Free Trade Area (EAFTA). This is currently in its Phase II of study by experts from the ASEAN Plus Three countries.

During the first EAS Summit, the leaders agreed that "the East Asia Summit with ASEAN as the driving force is an integral part of the overall

evolving regional architecture." The leaders also agreed that the East Asian region had already advanced in its efforts to realise an East Asian community through the ASEAN +3 process and in this context, the EAS together with the ASEAN Plus Three and the ASEAN Plus One processes could play a significant role in community building in the region. At the second EAS, the leaders agreed to launch a Track Two study on a CEPEA among EAS participants.

These developments have certainly presented various opportunities, not just for advancing trade and investment but also in addressing transnational concerns in the East Asian region. However, there are many challenges as well largely due to the different levels of development of the East Asian countries, as well as the different ways by which the East Asian countries deal with the challenges. At present, there are three challenges like modernisation,

competition and absence of an adequate legal regime that need to be addressed in order to advance regional integration in East Asia. It is clear that in doing so, governments should closely interact with the relevant stakeholders, i.e. the private sector, civil society and the academia. This is to ensure that balanced and good policies are developed and put in place for the region.

In this context, Economic Research Institute for ASEAN and East Asia (ERIA) could contribute not just by synthesizing the issues at hand but also in educating our policy makers for sound decisions. With the help of initiatives such as ERIA and concurrent with the current dialogue and cooperation, the region could develop a regional framework, which could facilitate the realisation of East Asian integration.

(Opening Remarks delivered at the ERIA Symposium on Opportunities and Challenges Towards Regional Integration in East Asia, Singapore, 6 November 2007).

## NEW ENERGY GRIPS ASIA

ARNE WALTHER, SECRETARY GENERAL, INTERNATIONAL ENERGY FORUM

A new world energy order is in the making, with Asia as a driving force. Mega projects are on the drawing board, affecting India as well. Among these are projects for transnational pipelines to bring natural gas to a growing Indian energy market. With the centre of gravity shifting towards Asia, India stands centre stage in Asian and global energy endeavours.

Though energy security is at the top of every country's political agenda as it affects commercial and political ties between countries, it fuels the world economy and impacts the environment. However, the world will need more and cleaner energy, used in a more efficient way and accessible and affordable to a larger share of its population. The political challenge lies in operationalising this energy through national policies and bilateral,

regional and wider global cooperation. Efforts to carve out a new Asian energy identity should be seen in this context.

Regional energy cooperation is being strengthened around the world and in Asia in particular. Asia has energy-hungry, growing economies in the east and south and ample reserves of oil and gas in the west. Today, two-thirds of West Asian (Gulf country) oil exports find their markets in Asia. More than two-thirds of East Asia's supply of oil comes from the Gulf.

A new Asian energy identity was born in 2005 at a round table under IEF, which coalesced further in Riyadh in 2007. They underscored the importance of joint efforts for market stability and transparency, increased investments, energy efficiency, and new technological solutions addressing environmental concerns and security of energy transport routes.

The growth of energy supply in West Asia will be key to meeting increasing East and South Asian demand. Asian regional joint ventures and cooperation can build an Asian strategic partnership. The new Asian energy identity is an important dimension of the evolving multipolar world energy order and has consequences far beyond geographical Asia. In this scenario, it is good to see India playing an active role in IEF along with other global players. They also recognise energy security as a shared responsibility for both energy-exporting and energy-importing countries. India and other Asian countries have important perspectives to share and interests to promote in a deepening global dialogue on energy as the new world energy order takes shape.

(Excerpted from the *Times of India*, 2 October 2007).  
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## INDIA IS AN ACTIVE PARTICIPANT IN ASIA'S RESURGENCE IN THIS 21ST CENTURY

India, Southeast Asia and East Asia are truly partners in progress. We are now actively engaged in the process of creation of an East Asian Community. Comprehensive Economic Cooperation Agreements have been concluded or are being negotiated with countries of the region. Since 1990, when our Look East Policy was initiated, our interaction with countries of the region has grown phenomenally and has become wide-ranging and comprehensive. India is and will be an active participant in Asia's resurgence in this new 21st century.

— Prime Minister of India, Dr. Manmohan Singh at the 2nd East Asia Gender Equality Ministerial Meeting, New Delhi, 6 December 2007.

## WILL ASEAN INTEGRATION TAKE PLACE AS EXPECTED?

TETSUYA TSURUHARA, YOMIURI SHIMBUN

The establishment of the ASEAN charter, similar to that of the Treaty on EU, is a specific step on a path to create an ASEAN Community by 2015. However, the concept of the community differs fundamentally from that of the EU which started as a negation of a nationalism that had gone too far.

Though many ASEAN countries have experienced colonial rule, therefore, nationalism is a concept that should be accepted in ASEAN. Countries have avoided conflict within the region by refraining from interfering in the domestic matters of neighboring countries. Any concerted action can only be carried out with the consent of all the member nations, and even after consent is obtained, the implementation of policies cannot be forced upon other countries. Until now, that has been the ASEAN way.

The main purpose of their proposed collective action is to establish a single market that ensures the free movement of goods, services, capital and workers. But unlike the EU, the ASEAN leaders do not have a vision for their single market as a region in which citizens can move freely without passports. However, ASEAN was once regarded as the center of the world's economic growth, but to regain this reputation,

Lee says it is necessary to capture the foreign investment that is going to China and India, and to stimulate trade by establishing a single market with a population of more than 560 million.

In fact, ASEAN must incorporate new measures into the charter that might strengthen trust in the international community over issues of compliance and decision making when members fail to reach consensus. As for the financial resources behind the running of the small and weak ASEAN Secretariat, all member countries are required to pay the same amount as that of Laos, the poorest member country. This is in stark contrast to the EU, in which member countries have to make contributions based on their relative economic strength. It seems that an awareness of acting together as ASEAN has yet to emerge among the leaders of its member nations.

The mere act of putting on a "suit" will not make ASEAN any more capable of changing itself, and member countries should not forget that China and India will not wait for them.

(Excerpted from the *yomiuri.co.jp*, 5 December 2007).

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## SHOULD INDIA FORGE AN FTA WITH ASEAN?

NAGESH KUMAR, DIRECTOR GENERAL,  
RESEARCH AND INFORMATION SYSTEM FOR  
DEVELOPING COUNTRIES

India-ASEAN FTA has to be viewed in the broader context of global trends and long term strategic interests of the country. Over 350 RTAs/FTAs are currently in different stages of negotiations and the bulk of world trade is now conducted within the FTAs. Like India, most Asian countries have begun to exploit the potential of RTAs in the current decade following the global trend. ASEAN emerged as a hub of this new trend of regionalism in Asia by bringing together major Asian countries besides deepening their sub-regional integration in an ASEAN Economic Community.

Like any scheme of trade liberalisation, whether multilateral, regional or bilateral, ASEAN-India FTA can adversely affect certain sections of industry. However, the decision-making is to be based on broad assessment of positive overall net benefits.

Therefore, any FTA needs to be preceded by a detailed analysis of complementarities of the possible partners, potential of industrial restructuring and welfare gains, among others. FTAs can also be used as experiments in trade liberalisation to prepare the domestic industry for eventual free trade as a part of the multi-lateral trade negotiations.

One hopes that it will be possible for the negotiators of the two sides to find a common ground to conclude negotiations of India-ASEAN FTA soon. Along with those with Japan and South Korea currently under negotiation, this FTA will be an important building bloc of an emerging broader regional grouping, bringing together ASEAN and its dialogue partners comprising the EAS. EAS is studying a CEPA of East Asia which has the potential of creating the third pole of the world economy. India needs to secure her place in this emerging architecture in Asia that will be centre of gravity of the world economy.

(Excerpted from the *Economic Times*, 27 November 2007).

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## NALANDA - AN ICON OF THE ASIAN RENAISSANCE

The new Nalanda should strive to perform a role consistent with this original ethos and vision. It should be a great intellectual centre, an icon of the Asian renaissance, connected to other knowledge centres worldwide. It should also be a centre of civilisational dialogue and inter-faith understanding, as the original Nalanda once was. In this way, the Nalanda project can be an inspiration for the future of Asia – a bustling, cosmopolitan and tolerant region where Christians, Buddhists, Muslims, Hindus and other faiths can live in peace and harmony together, side by side.

— Prime Minister of Singapore, Lee Hsien Loong at the Reception and Viewing of the Exhibition "On the Nalanda Trail," Asian Civilisations Museum, Singapore, 21 November 2007.

## ASEAN+6 IS OPTIMAL FOR ASIAN INTEGRATION

MUKUL G ASHER, PROFESSOR OF PUBLIC POLICY, NATIONAL UNIVERSITY OF SINGAPORE

There is widespread consensus that Asia's weight in global affairs will increase significantly in the 21st century. The major contributing factors are India and China's rapid economic growth, Asia's favourable demographics, growing technological competence and increasing importance of its outward FDI and portfolio flows.

These are underpinned by emergence of Asian MNCs and sovereign wealth funds aiming to generate higher returns from globally diversified portfolios. Asia's growing weight, however, requires an institutional framework for economic and security cooperation comprising all the major economies. Much of Asia's economic integration has been market-driven, and this process is likely to continue.

In the debate on the institutional basis for Asian economic integration, two contending frameworks ASEAN+3 and ASEAN+6 have emerged. In the current phase of globalisation, however, the dynamics of economic integration have changed both qualitatively and quantitatively. Increasingly, services trade, manpower flows and financial flows are essential in assessing and expanding economic linkages and integration. This is being recognised in the bilateral preferential economic agreements which have proliferated in Asia and

elsewhere, though the progress on the ground in including these aspects has been slow.

These aspects are particularly relevant for India, as studies have shown that if they are included, India is already far more intricately integrated with the rest of Asia than has commonly been perceived or acknowledged. Recent research studies by ADBI and RIS have found that ASEAN+6 integration yields far higher welfare benefits and efficiency gains as compared with the ASEAN+3 grouping. The ADBI study strongly suggests consolidation of bilateral and regional economic agreements to avoid the noodle-bowl syndrome; and for ASEAN to vigorously pursue greater economic integration. For India, it rightly suggests that domestic reforms and lowering of transaction costs of doing business should continue if it is to fully benefit from its strategy of calibrated globalisation with social cohesion and inclusion. Therefore, in this context, ERIA should focus on analytical studies and strengthen statistical base relating to ASEAN+6 countries to lay solid foundations for institutionalising ASEAN+6 economic integration.

(Excerpted from the *dnaindia.com* 17 October 2007).

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## Asia's New Regionalism and Global Role – Agenda for the East Asia Summit

**EDITORS: NAGESH KUMAR, K. KESAVAPANY AND YAO CHAOCHENG**  
**RIS AND ISEAS, 2008**  
**ISBN: 81-7122-098-3**  
**ISBN: 978-981-230-749-1**



One of the most important developments of the past decade has been the emergence of Asia as the most dynamic regions of the world with the rise of China and India as engines of growth, recovery of Japan from a decade old recession, and emergence of Asian middle class as source of final demand. This new found dynamism makes regionalism a viable trade and development strategy for Asia. Although functional integration in the region has increased as is evident from the high and growing proportion of intra-regional trade and investments, Asia has lagged behind other regions in exploitation of potential of regional trading arrangements (RTAs). The lack of an effective broader regional arrangement has prevented Asia from exploiting some fruitful opportunities for regional cooperation and from exercising its influence in global economic governance commensurate with its rapidly growing economic weight.

Recognizing the potential of regional cooperation over the past decade ASEAN has not only deepened the sub-regional cooperation between its 10 member states, but has also facilitated the cause of broader cooperation by holding plus one Summits with major Asian countries. These countries are now building a complex web of free trade arrangements linking ASEAN and themselves. There is need for building on these sub-regional and bilateral attempts a broader regional framework to provide a seamless market facilitating exploitation of their synergies more

effectively. An important initiative in the direction is the launch of the East Asia Summit (EAS) in December 2005 in Kuala Lumpur, Malaysia, as an annual forum bringing together ASEAN, Japan, China, India, South Korea, Australia and New Zealand.

Against that backdrop, leading experts of the region in their contributions to this volume examine the case for broader regionalism in Asia, its potential, challenges, possible approaches and roadmaps. The book also discusses potential of cooperation in specific areas of trade and investment, money and finance, and energy security.

## The Political Economy of East Asia: Striving for Wealth and Power

**MING WAN**  
**CQ PRESS, 2007**  
**ISBN-10: 1933116919**  
**ISBN-13: 978-1933116914**



Ming Wan illustrates the diverse ways that the domestic politics and policies of countries within East Asia affect the region's production, trade, exchange rates, and development, and are in turn affected by global market forces and international institutions.

Unlike most other texts on East Asian political economy that are essentially comparisons of major individual countries, Wan effectively integrates key thematic issues and country-specific examples to present a comprehensive overview of East Asia's role in the world economy. The book first takes a comparative look at the region's economic systems and institutions to explore their evolution a rich and complex story that looks beyond the response to Western pressures. Later chapters are organized around close examination of production, trade, finance and monetary relations.

## Corporate Strategies in the Age of Regional Integration

**EDITORS - KIM JONG-KII AND PIERRE-BRUNO RUFFINI**  
**EDWARD ELGAR PUBLISHING, 2007**  
**ISBN-10: 1847201415**  
**ISBN-13: 978-1847201416**



This book presents various empirical analyses of cross border strategies adopted by global firms with a particular emphasis on the European and East Asian experiences. It also provides studies of the trends and prospects of regional economic integration, focusing mainly on East Asia. The book addresses the topic of economic integration from both a corporate perspective and a policy perspective.

The contributors illustrate the powerful integrative effects of cross border strategies of global firms and their impact on the increasing economic interdependence between countries. For their part, governments and policy makers are endeavoring to influence the path of globalization by means of international cooperation, among which the shaping of regional economic areas is an outstanding one. While Europe still stands unrivalled in terms of its regional integration achievements, East Asian countries are also trying to forge their own path by building preferential trade and investment links on a regional basis. Such attempts are still in their infancy, but they raise some healthy debates to which this edited book makes a valuable contribution.

## Regionalism, Trade And Economic Development in the Asia-Pacific Region

**EDITOR : M.A.B. SIDDIQUE**  
**EDWARD ELGAR PUBLISHING, 2007**  
**ISBN-10: 1845425030**  
**ISBN-13: 978-1845425036**



This book is based on the premise

that RTAs in the Asia-Pacific significantly impact on the material progress of the peoples of this region. These impacts in terms of the benefits and costs associated with RTAs will vary greatly from country to country.

It examines the theoretical perspective of RTAs in relation to exchange rates, the role and goals of the WTO and agriculture. The tensions and trade frictions resulting from the formation of trade blocs and their conflicts with the roles and goals of the WTO are also examined in the book. Those economies that are considered the economic powerhouses of the region including China, Japan, South Korea, major ASEAN countries and Australia are discussed in depth. The findings of the book suggest that RTAs are becoming increasingly popular in the Asia-Pacific region.

### Managing Financial Risk for Multinational Companies in South East Asia

**YASMIN YUSOF**  
**AUTHORHOUSE, 2007**  
**ISBN-10: 1434332969**  
**ISBN-13: 978-1434332967**



This book was written from the perspective of international accounting to show how risk mitigation applies to the multinational firms with complex global transactions and assets. It analyses the interplay of currencies, exchange rates, interest rates, and accounting systems. Financial risk management is a specialized area of international accounting that requires specific training, tools and techniques, if one is to be successful in mitigating risk for an international business. Financial risk management refers to the practices used by corporate finance managers and accountants to limit and control uncertainty in the firm's total portfolio.

### An East Asian Renaissance: Ideas for Economic Growth

**INDERMIT GILL, HOMI KHARAS, DEEPAK BHATTASALI AND MILAN BRAHMBHATT**  
**WORLD BANK PUBLICATIONS, 2007**  
**ISBN-10: 0821367471**  
**ISBN-13: 978-0821367476**



This book explores the future of East Asia's middle income countries. Without the advantages of low wages or high skills, and with limited natural resources East Asian economies are following a new path of regional integration, led by China. Along this path, policymakers must manage a migration of two million per month to East Asian cities; a sharp and unprecedented increase in income inequality; and growing discontent with corruption. This new agenda of domestic integration is the main challenge facing East Asia.

### High Growth and Low Consumption in East Asia: How to Improve Welfare While Avoiding Financial Failures

**ANDREW FELTENSTEIN, CÉLINE ROCHON AND MARAL SHAMLOO**

This paper analyzes certain policies that are typical of a number of rapidly growing East Asian countries in which a fixed exchange rate, combined with a surplus labour market, has made domestic assets relatively inexpensive, generating high rates of FDI as well as domestic capital formation. This "investment hunger" can lead to unanticipated declines in the returns to investment, and resulting financial insolvencies. Private consumption remains low and there are concerns that high savings rates cannot be sustained. It constructed a dynamic general equilibrium model and applied it to a stylized Asian economy, loosely based upon China. It calibrated a benchmark equilibrium, and carried out various counterfactual simulations to analyze alternative policies, in particular tax cuts and exchange rate revaluations, as instruments in increasing private consumption while avoiding bank failures.

*(IMF Working Paper No. 07/278)*

### ASEAN and ASEAN Plus Three - Manifestations of Collective Identities in Southeast and East Asia?

**MARKUS HUND**  
**VDM VERLAG DR. MUELLER**  
**E.K., 2007**  
**ISBN-10: 3836450453**  
**ISBN-13: 978-3836450454**



East Asia is a region undergoing vast structural changes. As the region moved closer together economically and politically following the breakdown of the bipolar world order and the ensuing expansion of intra-regional interdependencies, the states of the region faced the challenge of having to actively recast their mutual relations. At the same time, throughout the 1990s, the West became increasingly interested in trans- and inter-regional dialogue and cooperation with the emerging economies of East Asia. These developments gave rise to a "new regionalism," which eventually also triggered debates on Asian identities and the region's potential to integrate. Against this backdrop, this analyses in how far both the ASEAN and the ASEAN Plus Three forum represent inter-governmental manifestations of specific collective identities in Southeast Asia and East Asia, respectively. Based on profiles of the respective discursive, behavioural and motivational patterns as well as the integrative potential of ASEAN and APT, this study establishes how far the member states adhere to sustainable collective patterns of interaction, expectations and objectives, and assesses how far they can be said to form specific 'ingroups.'

### Investment Provisions in Regional Trading Arrangements in Asia: Relevance, Emerging Trends, and Policy Implications

**NAGESH KUMAR**

This paper summarizes the conceptual rationale for investment liberalization to fully exploit the potential of RTAs. It goes on to examine the treatment of investment in emerging FTAs/RTAs in the Asia-Pacific region and the specific

investment provisions and their consistency with the existing multilateral provisions on investment, viz. WTO's TRIMs Agreement. The provisions of ASEAN framework on investment area and industrial cooperation are summarized in Section 4. Section 5 briefly examines the trends in India's RTAs policy in Asia and the emerging patterns of efficiency seeking industrial restructuring unleashed by it. Concluding Section presents a few remarks on the importance of a broader framework for regional economic integration.

*(RIS Discussion Paper No. 125, September 2007).*

## ASIAN ECONOMIC COMMUNITY COULD DRIVE ASIA'S EMERGENCE AS THE EPICENTER OF THE GLOBAL ECONOMY

*continued from page 1 (Feature Article)*

Studies by RIS and other institutions show that economic integration within the East Asian Community has the potential to generate billions of dollars of new output and thus serve as an engine of growth for the continent and the world economy. Monetary and financial cooperation in Asia, designed to mobilize the huge foreign exchange reserves of Asian countries for development of regional infrastructure, could have the potential of creating hundreds of billions of dollars of additional output while helping to overcome the infrastructural constraints for Asian development.

Asia, therefore, today hold a bright promise for our future collective endeavours. It is incumbent on us to put in place a political and economic architecture which is conducive to Asia's emergence as a pre-eminent region of stability and prosperity. Let us therefore work together to make the 21st century truly the Asian century.

*(Excerpted from the speech delivered at the Sixth High-Level Conference on "Asian Economic Integration: Agenda for the East Asia Summit, New Delhi, India, 12 November 2007).*

## Welfare Gains from Regional Economic Integration in Asia: ASEAN+3 or EAS

**S.K. MOHANTY AND SANJIB POHIT**

The experiences of Asian countries suggest that the region has substantial economic potentials and synergies between these countries and they can be better tapped with comprehensive economic cooperation. With this approach, formation of an Asian Economic Community is not too far away from now. Next phase of liberalisation in Asia should focus on deep economic integration.

Sitting on the driving seat, ASEAN's economic interest should be given priority while taking a view on further regional economic liberalisation in Asia. The core issue is, which group of countries between ASEAN+3 and East Asian Summit (EAS) countries, would elicit maximum benefit to the region in general and ASEAN in particular? Using an Applied General Equilibrium (AGE) model in a monopolistic framework, the paper suggests that next Round of economic liberalisation should start with EAS.

*(RIS Discussion Paper No. 126, September 2007).*

## NEW ASIA FORUM

RIS has been supporting the process of regional economic integration in Asia with its studies and research. Besides its pioneering contribution to the process of economic integration in South Asia, it has been supporting the ASEAN-India economic partnership. It has been developing proposals of a broader pan-Asian economic integration as a part of a research programme supported by the Sasakawa Peace Foundation. As its most recent initiative, The RIS has set up a New Asia Forum as a dedicated network of think-tanks in Asia devoted to assist this process of regional integration and thus help in building a New Asia with ideas. The Forum has a dedicated website [www.newasiaforum.org](http://www.newasiaforum.org) as the melting pot for all the relevant information and resources on the subject. Feedback and contributions are invited from all concerned. Interested readers may join the forum and send relevant material for publications.

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The work of RIS is published in the form of research reports, books, discussion papers and journals. For more information about RIS and its work programme, please visit its website: [www.ris.org.in](http://www.ris.org.in).



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