



India's Growing Engagement with East Asia

Shri Pranab Mukherjee, External Affairs Minister of India

India has achieved an average growth rate of nine per cent in the last three years and hopes to push it even further. Driven so significantly by domestic consumption, we have had to create our own model of growth. An era of ten per cent growth, which appears within sight, clearly calls for a different approach, given that closer integration with the global economy is a *sine qua non* for most developing countries. Expanding foreign trade and attracting greater foreign investment flows requires recalibration and reallocation of our energies. We have also taken note of the shift in the economic centre of gravity of the global economy towards the Asia Pacific region. Amidst this scenario, energy cooperation, with particular emphasis on supply and distribution in the long term, is among the subjects acquiring greater salience in our thinking.

In this context, East and South-East Asia have assumed an important place in our policy priorities. Above all, one of its unique, yet universally recognized features is the importance we attach to mutual respect and peaceful coexistence between nations. India has pursued its "Look East" policy and developed multi-faceted relationships with countries of the ASEAN region and the South Pacific within a multilateral as well as a bilateral context. We have been actively engaged with the ARF and as a Full Dialogue Partner of the ASEAN since 1996 have been having Annual Summits since 2002. India also participated in both the recently held East Asia Summits (EAS). We signed the "India-ASEAN Partnership for Peace, Progress and Shared Prosperity" at the 3rd India-ASEAN Summit in Vientiane.

India's participation in the first East Asia Summit, in 2005, marked the beginning of a process that could define the future architecture of the region. India believes that the long term goal of the EAS should be the creation of a prosperous community of nations built on shared values and interests. At the second EAS in Cebu, in 2007, the agenda of the forum was widened to include a number of areas including regional collaboration on

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poverty eradication, energy security, education, natural disaster mitigation, working together on the Doha Development Agenda, furthering economic development and regional integration and cooperation in ensuring regional security.

Apart from the main ASEAN forum, India engages with various ASEAN countries in different frameworks. There is the context of our membership of Mekong-Ganga Cooperation (MGC) and then the BIMSTEC. The MGC focuses on cooperation in culture, tourism, human resource development, education, transport and communication. On the other hand, BIMSTEC has chosen to focus on trade and investment, technology, transport and communication, energy, tourism and fisheries. It plays the role of bridging countries of South and South East Asia, with the North East region of our country as the centre of this bridge.

India's relationship with Indonesia has opened up a new chapter in the bilateral relations by establishing a New Strategic Partnership and identifying a range of areas for enhancing cooperation for the mutual benefit of our two countries. As India's largest neighbour and a key emerging player in the international arena, China remains an important priority of India's foreign policy. The rapidly growing trade and economic exchanges between the two countries are pointers to the fact that India and China are now constantly engaged in mutually rewarding pursuits on the basis of a wide array of complementarities. However, we believe that there is enough space and opportunity in the region and beyond for both India and China to grow together. In our view, the India-China partnership is an important determinant for regional and global peace and development, and for Asia's emergence as the political and economic centre of the new international order.

India also attaches high priority to strengthening relations with Japan and both

the countries are now engaged in the process of deepening Global Partnership in the 21st Century through high level visits, expanding economic relations and growing mutually beneficial exchanges in energy, science and technology, defence, cultural and academic fields.

The main emphasis of our relations with the Republic of Korea is to consolidate and intensify the present positive trends in our engagement and reiterate that India remains committed to pursuing a long term cooperative partnership for peace and prosperity. Our partnership with Singapore has greatly encouraged India's stronger participation in Southeast Asian and East Asian structures. At the bilateral level, a CECA was concluded in 2005 which has had a significant positive impact on our trade and investment relations.

India and Malaysia effectively symbolise "Unity in Diversity." Malaysia is our second largest trading partner in the ASEAN. Malaysian companies are active in India's infrastructure sector and Malaysia is also home to the largest Indian community in Southeast Asia. Our relations with Thailand have moved beyond traditional areas of culture and commercial interaction to cooperation in security, defence, science and technology, and a movement towards free trade.

India is committed to assisting Vietnam, along with Laos and Cambodia, in the spirit of South-South cooperation, both bilaterally and in the context of the 'Initiative for ASEAN Integration'.

In conclusion, India remains committed to further intensifying its relations with this region. The pursuit of regional economic integration, emphasis on South-South cooperation, promotion of societal links through cultural cooperation and educational exchanges will remain important pillars of our engagement with East Asia.

(Excerpted from the Address delivered at a function jointly organized by the Embassy of India in Jakarta and the Indonesian Council on World Affairs, Jakarta, Indonesia on 19 June 2007). ■

India One of the Bulwarks for Future of Asia

Shri Kamal Nath, Union Minister of Commerce and Industry, while addressing the Nikkei "Future of Asia Conference 2007" in Tokyo, said that the unbeatable combination of an ancient civilisation embracing economic globalisation in a context that is open and democratic makes India one of the bulwarks for the Future of Asia. He also added that, at this conference discussing the Future of Asia, a positive approach has been appearing that the future is Asia.

Later, the Commerce Minister, while addressing the Plenary Session on "The Emerging Power of Emerging Markets" at the 11th International Economic Forum at St. Petersburg, further elaborated the change in the global trade that has come about as a result of the rise of the emerging markets and pointed out India as an example

of the growing clout of these countries in global economy. He cited that India has recorded the fastest GDP growth in eighteen years, with the economy growing 9.4 per cent in 2006-07. The Minister recorded the strides India has made in attracting foreign direct investment and said that an estimated growth rate of 9 per cent over the next five years starting 2007-08 would need an investment rate of 35.1 per cent of GDP. He also informed about the huge investment potential in the upcoming knowledge process outsourcing (KPO) sector. He also revealed that India is likely to capture around 15 per cent of the over US \$ 54 billion KPO industry worldwide by 2010.

The Minister emphasized the opportunities presented by India's farm and food processing sector

which has been identified as a priority area and also spoke of India's strength in the gems and jewellery and automobile and auto-components sector. Further, quoting a McKinsey study, he informed that the Indian pharmaceutical industry is projected to grow to US \$ 25 billion by 2010.

On the issue of the retail revolution, the Minister informed that organised retailing in India is expected to grow at the rate of 37 per cent in 2007 and 42 per cent in 2008. Further, he stressed the need for "inclusive development" and said the biggest challenge before the emerging economies is to ensure that growth and development are more evenly spread.

(Excerpted from the *PIB Press Release*, 10 June 2007 and *MOC, Press Release*, 24 May 2007).

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Indo-Japan Ties to get Major Boost with Delhi-Mumbai Industrial Corridor Project

Shri Kamal Nath, Union Minister of Commerce and Industry and Mr. Akira Amari, Minister of Economy, Trade and Industry of Japan, indicated at the session jointly organized by the Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and the CII, that Indo-Japan trade and economic relations are moving on to a new trajectory with major new initiatives such as the Delhi-Mumbai Industrial Corridor being given concrete shape and the EPA negotiations between the two countries getting underway.

DIPP outlined the key features of the Delhi-Mumbai Industrial Corridor, which would pass through six States of India. The dedicated freight corridors were planned along Delhi-Mumbai in phase-I and along Delhi-Kolkata routes in phase-II. It is expected that the project would double employment potential in India; triple industrial output; and quadruple exports from the regions covered by the Project in five years. It was revealed that the Project would involve development of industrial infrastructure such as upgradation of

all industrial clusters in the corridor together with promotion of new ones; improvement of physical infrastructure including upgradation of some airports, setting up of green-field ports in Gujarat and Maharashtra and augmenting rail and port connectivity.

Shri Kamal Nath hailed Japan's role as the largest contributor of ODA to India and stressed that the Delhi-Mumbai Industrial Corridor project as well as the EPA negotiations would significantly enhance bilateral trade and economic ties. He also reiterated India's support to Japan's proposal for a Comprehensive Economic Partnership for East Asian Economic Region (ASEAN + 6). Further, Mr. Amari in his address said that the DMIC was extremely important as it would accelerate Japanese investment in India, rapidly develop India's infrastructure sector including industrial parks, roads, ports and rail connectivity etc.

(Excerpted from the *PIB Press Release*, 14 April 2007).

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India, Japan to Explore Oil, Gas

At the 'India-Japan Energy Dialogue' meeting in Tokyo, both India and Japan together decided to explore oil and gas in a third country to enhance global energy security and build lasting partnerships in the sector. The dialogue was launched with the aim of promoting comprehensive cooperation in the energy sector.

Efforts would be made for cooperation in areas like methane hydrate, oil stockpiling and joint research on Asian markets. They also decided to set up five Working Groups as well as a Steering Committee to coordinate joint efforts in different areas of energy cooperation. While joint efforts in the oil and gas sectors would be coordinated by separate Working Groups, four other groups would separately look after areas such as electricity and power generation, energy efficiency, coal and renewable energy. The meeting was attended among others by Planning Commission, Deputy Chairman, Montek Singh Ahluwalia and Mr. Akira Amari, Minister of Economy, Trade and Industry of Japan.

(Excerpted from the *Economic Times*, 26 April 2007).

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East Asia Must Learn From European Experiences

In Singapore, Minister Mentor Lee Kaun Yew, said at the Forum organized by Nikkei, on 'Future of Asia,' focused on deepening cooperation in the region towards building a community, that the East Asian countries should draw lessons from the European experiences and take cautious steps towards integration.

He also warned that if the region expanded too quickly, as happened in Europe, it could face problems as the Europeans did. Mr. Lee suggested that while studying the lessons of Europe, East Asia should proceed cautiously, step by step but always towards greater integration and cooperation.

He also pointed out that East Asian countries were very far from becoming a community in the European sense of the world. The difficulty in building a community in the region was compounded by the great geographical, historical, ethnic, racial, language and religious diversities that existed.

He also contended that building a wider community is a very difficult experiment that gives us a very strong reason to proceed slowly and cautiously.

Later, in a clarification from the PMO, it was stated that Minister believes that the completion of more focused FTAs, such as the India-ASEAN FTA will be a very useful and attainable objective.

Indeed, Singapore and India had successfully completed a bilateral Comprehensive Economic Cooperation Agreement (CECA) in 2005, and Singapore had been one of the active proponents of India's inclusion as a member of the East Asian Summit.

The incremental completion of some focused FTAs can form the basis for a gradual evolution of a wider East Asian Economic Community.

(Excerpted from *The Strait Times*, 25 May 2007).

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World Economic Forum on East Asia Discusses Asian Leadership and Challenges for an Asian Century

The World Economic Forum on East Asia in collaboration with the Singapore Economic Development Board (EDB) organized a two day meeting on 'The Leadership Imperative for an Asian Century,' in Singapore on 24-25 June 2007. The meeting had participation of more than 300 senior high level government officials, private sector executives and civil society leaders from almost twenty six countries including both developed and developing countries. The conference touched upon various wide ranging key issues facing East Asia.

At the opening session on 'Where is Leadership Needed the Most in Asia?', the President of the Philippines, Gloria Macapagal Arroyo, stressed that the real issue is not about a leadership deficit because the region has any number of able leaders of strong nations as well as institutions like ASEAN to provide individual, regional and multilateral global leadership. Rather, the real issue is the rapid economic rise of the region at a time when the global leader has undergone enormous swings, such

as the rise of China and India to add to the power of Japan in the region.

Rapid urban growth and the growing income inequality between rural and urban areas are the key challenges for East Asia's leaders according to the Singapore Foreign Minister, George Yeo. He also stressed the importance of preparing next generation for globalization, for that he opined that countries should pay attention to education and value system.

The next session on 'Global Risks; Managing Threats to Asia's Prosperity,' discussed many key issues related to changing mindsets and ensuring growth without any negative impact on the poor. Masaharu Kohno, Deputy Minister for Foreign Affairs of Japan, said that climate change is one of the important issues that require joint effort, for that innovation is a key to handling the various invisible risks like natural disasters and environmental damage.

On the issue of the next Asian Crisis, all the panelists contended that Asian countries have learned from the experiences and banks have also rectified the problem of

non-performing loans. On the basis of these steps, Asian economies are stronger enough to face the challenges ahead in the near future. They are optimistic that chances of another crisis are minimal as these countries at present enjoy trade surpluses and have accumulated huge foreign exchange reserves for any casualty.

At the session on 'Energy Security: Will It Drive or Divide Asian Integration?', discussion mainly centered on the strategies to adopt measures to achieve greater energy security, secure new sources, build strategic reserves and develop alternative sources such as nuclear power. On the issue, Rajat M. Nag, Managing DG, ADB, said that Asian nations will realize that they stand to benefit more from cooperation than from competition and therefore in the long run, the energy security will actually deepen and hasten Asian integration. Already, China and India have signed agreements to cooperate in their search for new energy sources.

(Source : World Economic Forum, Press Releases, 24-25 June 2007).

India-GCC Investment Opportunities

At the 3rd India-GCC Business Conference hosted by the Government of India in Mumbai, India, on 29-30 May 2007 with the theme of "India-GCC Investment Opportunities," adopted the Mumbai Declaration to enhance economic engagement between the two sides in number of new areas. At the meeting, Mr. Kamal Nath, Commerce Minister of India, pointed that both sides also agreed to expedite conclusion of the proposed FTA between India and revealed that both sides have recognized that oil has and will continue to be the mainstay of India-GCC economic cooperation. There has been an increased recognition of the fact that India needs to secure its energy needs through increased Gulf cooperation, as both sides cannot afford to overlook the opportunities emerging in other sectors. India's global comparative advantages place her on a higher keel as an attractive investment destination and hence a natural partner for GCC countries.

A major outcome has been the decision to facilitate and expedite projects in the field of agriculture and food processing which has been identified as a new sector with significant opportunities for trade and investment. It was agreed that GCC States would receive and facilitate the visits of Indian agro-processing companies particularly of the APEDA of India and India would reciprocate in the same manner.

It has also been decided that in order to promote joint venture projects of SMEs in both India and GCC countries, a holding company would be set up with private and public sector participation in India and GCC States. Further, the four specific areas in which both sides would explore and enhance economic cooperation are real estate development, energy, petrochemicals, and infrastructure sectors particularly ports, airports, railways, road transport and highways.

(Excerpted from the Ministry of Commerce, Press Release, 30 May 2007).

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GCC Investment in Asia to Rise to \$30bn in 2007

Drawing synergies between the cash-rich GCC and fast growing Asia, Dr Zeti Akhtar Aziz, Governor, Bank Negara Malaysia, told top global investors and bankers in Kuala Lumpur, that the emergence and integration of Islamic finance centers in the Gulf and Asia have created an environment of flourishing activity reminiscent of the century's old Silk Road.

She said this new route not only carries flows of oil, goods, and technological innovation; but also direct investment, portfolio investment, private equity and human capital replacing silk. The GCC nations were increasingly focusing on making their investments in Asia which crossed \$18 billion in 2006 and is projected to rise to a level of \$20-30 billion

this year. While world trade has expanded by ten per cent on an average, Asia's trade with the Middle East has increased by 24 per cent.

She said more than half of the exports from the Gulf States go to Asia and more than one-fifth of its imports are from the fast growing continent. For economic regions with high savings and surpluses such as Asia and the Middle East, the challenge is to recycle part of these funds to productive use, the governor stated.

The burgeoning foreign currency reserves exceeding \$2 trillion in Asia and oil revenues of Middle East crossing \$1 trillion since 2000, the management of surplus savings and reserves in both the blocks will offer significant investment opportunities. Besides

the institutional pool of wealth, the rapidly expanding middle class in both regions is a further trend sustaining the high savings rate and the increased demand for more sophisticated products including consumer finance and wealth management.

She said the Middle East investors have a greater need for diversification both in terms of geographical allocation and assets classes, for that Asia offers highly diverse investment opportunities. Asia, which has \$1 trillion worth infrastructure projects in pipeline in next five years, is in search of new partnerships and strategic investors to co-invest.

(Excerpted from the *Khaleej Times Online*, 29 March 2007).

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India, China to Lead Pharmaceuticals Growth in Asia

PricewaterhouseCoopers (PwC) in its report 'Gearing up for a Global Gravity Shift,' revealed that India and China will drive the growth in Asia's pharmaceutical industry as the continent gears up to become the centre of the global pharmaceutical market. According to them, respondents to the survey believed that the centre of gravity of the global pharmaceutical market would shift to Asia from North America and Europe.

Domestic companies in Asia wanted to go global as 65 per cent of them reported increased international share. Besides, multinational companies are increasing presence in the region as

one-third of them expand through acquisitions or by developing 'greenfield' sites in the next twelve months. China and India head the list of target countries for expansion in the sights of MNCs, the report pointed out. The officials stated that the MNCs are increasingly interested in setting up more research and development facilities and conducting more clinical trials in India. At the same time, companies like Ranbaxy and Dr Reddy's have expanded through acquisitions in western markets aggressively last year.

(Excerpted from the *Times of India*, 21 May 2007).

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Indian, Chinese Companies Join Hands to Develop Knowledge Zones

In promoting Sino-India Business Alliance, Associated Chamber of Commerce and Industry (ASSOCHAM) has been successful in convincing atleast twenty five Chinese companies to partner with Indian firms for developing Knowledge Special Economic Zones (KSEZs). According to the Chamber release, the alliance would also strive to develop biotechnology incubators, hardware technology parks and telecom equipment manufacturing facilities.

The Chamber has also agreed to sign an MoU with Shenzhen Computer Industry Association, Shenzhen Trade and Investment Association and Shenzhen Hitech Industrial Park. Recently, ten Indian companies, including

Videocon had announced setting up of manufacturing facilities in China.

According to the release, India is now the 13th largest export destination of China, and Sino-India bilateral trade reached \$25.05 billion in 2006, representing an increase of 33.87 per cent over same period last year. During this period, Indian exports to China increased to US \$10.46 billion, while imports from China increased to \$14.48 billion. China's bilateral trade with India accounted for 1.47 per cent of its global trade in year 2006, as compared to 1.32 per cent in the same period last year.

(Excerpted from the *Financial Express*, 19 May 2007).

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China, India Reach "Consensus" on Key Areas of RTA

According to the China's Ministry of Commerce, China and India have reached "consensus" on goods and services trade, investment and facilitation of investment and economic cooperation as part of their proposed RTA. China and India are confident that their joint feasibility research on the RTA will be completed on schedule.

During discussions in Beijing, both sides "fully" exchanged views and agreed to meet again to wrap up the joint research. Chinese Vice

Minister of Commerce, Yi Xiaozhun, said that if China and India could agree on a trade arrangement, the vast East and South Asian markets would receive a significant boost while Asian economic integration would be facilitated. The Indian and Chinese governments have set a target of achieving 40 billion dollars in bilateral trade by 2010.

(Excerpted from the *Economic Times*, 7 June 2007).

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IMF Offers to Assist Financial Integration in Asia

The IMF has offered to act as a mediator among Asian nations to implement its grandiose project of regional financial integration. The IMF is encouraged by the recent success achieved by Asian nations in jointly floating the Asian bond that would help finance major projects in the region. The bond issue was brought about in cooperation among banking supervisors in the region. The IMF now regards financial integration as a necessary step for improving financial compliance

standards and even ensuring proper implementation of the Basel standards by banks in the region. Jamie Caruana, Director, IMF, said at the Asian Bankers Summit in Jakarta, that integration can benefit countries and can also benefit the banking sector. On the integration of Asian currencies, he said, there was no need for Asia to follow European integration model that resulted in a single currency.

(Excerpted from the *Times of India*, 14 April 2007).

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Limited Entry to Elite Club Key

The G-8 took a significant step to reform their elite club by setting up a new relationship with China, India and other emerging economies. Angela Merkel, German Chancellor, said the summit had agreed to open two years of talks with Mexico, Brazil and South Africa, as well as China and India, "as an important response to globalisation processes." She further said that these countries are so important that they should be involved on economic, energy and social issues.

Regular meetings between Ministers from these thirteen

countries with various portfolios are expected over the next two years, the initial period of the dialogue. It was revealed that the G-8 would establish an "outreach unit" at the OECD to manage the talks.

The agreement, to be launched under the "Heiligend-amm process," would cover issues including investment freedom, protection of intellectual property rights, energy management and social aspects of globalisation.

(Excerpted from the *Financial Times*, 8 June 2007).

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India, Malaysia Can Jointly Promote Developing Nations' Interests

Malaysian Foreign Minister Syed Hamid Albar, said at a track-two Malaysia-India strategic dialogue, that India and China should take the lead in enhancing regional economic cooperation in Asia.

He pointed out that India and Malaysia held common positions on many international issues, and India had been a constructive dialogue partner for the ASEAN. Malaysia would work closely with India, a growing economic powerhouse, to champion the interests of developing countries in the global arena.

Welcoming more investments from Indian companies, the Foreign Minister was hopeful that the two countries would be able to commence negotiations on a comprehensive economic cooper-

ation agreement soon. Vibrant growth and an open economy in India would contribute to a more stable Asia and Malaysia is pleased to see India playing a leading role in the East Asia Summit, he said.

The Minister was of the opinion that an Asian renaissance was in the making with the emergence of economically-robust countries like China, India, Japan, South Korea and some ASEAN countries, leading to a stable and prosperous world. He said India and China could take the lead towards enhancing regional economic integration in trade and investment which could bring stability to the region.

(Excerpted from *The Hindu*, and *Bernama.com*, 10 & 11 April 2007).

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Asia to Develop the Right Framework For Regional Cooperation

Lee Hsien Loong,
Prime Minister of Singapore

As a huge wave of optimism sweeps over Asia from China to India, it is not surprising that we are expecting an Asian century. East Asia has continued on its upward trajectory and the region is on the move.

Moreover, there are many key players in Asian renaissance. Due to that the strategic environment in Asia remains favourable. Relations between major powers continue to be constructive. Within the region, China, Japan and India also play leadership roles. They set the parameters for long-term cooperation and competition among the regional countries. These conditions provide the essential stable backdrop for the region to grow and develop. Within the region, China is skilfully deploying its soft power, and cultivating its neighbours in a coordinated and strategic way. China participates actively in regional forums, provides technical assistance, and promotes trade and people-to-people linkages. All Asian countries welcome these warm ties with China, even as they develop their relationships with other powers.

India's weight in regional and international affairs has been growing, as its vibrant economy progressively opens up, its security outlook is also becoming more outward oriented. India is also stepping up its economic engagements with East and Southeast Asia. More broadly, India continues to engage in the East Asia Summit. It plans to revive the ancient Nalanda University as a centre for learning and inter-faith dialogue for scholars from all over Asia, and to promote other areas of cooperation, including science and technology, and arts and culture.

Beyond the region, India's partnership with the US has created a new dynamic and it views India as a country "poised to shoulder global obligations in cooperation with the US in a way befitting a major power." Indeed, India does not see its partnership with the US as a means to counter-balance China. Instead, India and China are growing their economic links, and holding joint military exercises. The reopening of the Nathula pass, once part of the silk road linking the two ancient

Unity in Diversity

'We believe our diversity is a strength not a barrier to an Asian Union.'

— Gloria Macapagal-Arroya, President of The Philippines, at the 13th Nikkei International Conference on the "Future of Asia," Tokyo, Japan, 24 May 2007.

civilizations, is another sign of their warming relations. With this dynamic backdrop, the ten countries of ASEAN know that they need to strengthen and integrate their diverse economies.

One challenge for Asia is to develop the right framework for regional cooperation, within which countries can deepen cooperation, discuss sensitive issues, and contain and manage frictions so as to ensure a stable environment in Asia for the benefit of all. Within East Asia, ASEAN+3 and EAS now exist to foster intra-regional cooperation, and provide concrete steps towards an East Asian community. As the newer grouping, the EAS would take some time to crystallise major areas of cooperation, as its members are gradually putting substance into the strategic intent, beginning with issues such as energy security, environment, and financial cooperation. In East Asia, climate change has become a major item on the regional agenda. The emerging economies of Asia will be among the world's largest emitters of greenhouse gases. Any viable solution on climate change must have their support. Regionally, Asian countries must continue to work together and strengthen framework of cooperation, so that we can build mutual confidence and deal with critical issues that affect more than one country.

(Excerpted from the speech delivered at the 6th IISS Asia Security Conference, Singapore, 1 June 2007).

SAARC has the Real Potential to Promote Welfare of the Peoples of Asia

Dr Manmohan Singh,
Prime Minister of India

South Asia is in the midst of an unprecedented political and economic transformation. There are signs of hope that our governments are now addressing the bilateral political issues that have prevented us from achieving our potential. We must now make a break with the past and join hands to realize our common shared destiny. There is also today economic vibrancy and social change in every country of South Asia.

Never before has it been truly within our capacity to envisage a future where our people are free of the twin curses of poverty and disease. It is possible today, that SAARC has the real opportunity to realize the goals of our Charter: "to promote the welfare of the peoples of South Asia and to accelerate economic growth, social progress and cultural development in the region."

South Asia has flourished most when connected to itself and the rest of the world. Connectivity — physical, economic and of the mind enabling us to use fully our geographical and resource endowments, has historically been the key to our region's peace and prosperity. The study for a regional multi-modal transport system has given us a useful basis to carry this work forward. As an immediate step, I propose that we link all our capitals through direct flights.

However, the dream of full regional connectivity will not be realized merely by building roads and railways, unless we commit to make the travel freer and easier. As an immediate step, India is announcing a unilateral liberalization of visas for students, teachers, professors, journalists and patients from SAARC countries. Let us aim to double the intra-SAARC flow of tourists in the next five years.

We should encourage our civil society to interact and develop the habit of cooperative thinking. Our agreement to establish a South Asia University, as a world-class institution of learning, will be an important symbol of the connectivity of ideas and of our youth that would build the knowledge economies of the future.

There is an ongoing process of building an open and integrated market from the Himalayas to the Pacific, covering a vast and dynamic economic region. SAFTA could have a major role to play in this new emerging architecture. India is ready to accept asymmetrical responsibilities, opening her markets to her South Asian neighbours without insisting on reciprocity. For that, we will allow duty free access to India before the end of this year to our South Asian neighbours who are LDCs and further reduce the sensitive list in respect of these countries.

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Energy security, food security and climate change are all global issues that adversely impact on our development strategies and therefore need our focused attention. For that a South Asian energy community could be started by harmonizing systems and methods and grid structures and ultimately move on to an energy exchange with energy markets that cover the whole South Asian region. Promoting appropriate local technologies for harnessing renewable energy is an area we could consider for future cooperation. In order to improve the food security, at this Summit, we are in the process of setting up a Regional Food Bank to meet shortages and losses caused by natural calamities such as floods and droughts.

To realize our hopes, we need SAARC to be an efficient implementing instrument rather than from a declaratory phase to action and implementation. We stand today at a moment of great opportunity. It was once said that “positive expectations have a way of leading to positive outcomes.”

(Excerpted from the speech delivered at the 14th SAARC Summit, New Delhi, India, 3 April 2007).

Malaysia to Play Constructive Role in Community Building

Dato’ Seri Abdullah Bin Haji Ahmad Badawi,
Prime Minister of Malaysia

“community”, which is the objective of the ASEAN plus three process, is different from the “comprehensive economic partnership” that has been proposed for the East Asia Summit. It is also quite different from the FTA, which has been suggested for APEC. An economic partnership is confined to cooperation in only economic sphere. A trade agreement is confined to an even narrower area, namely trade. Building a community, on the other hand, involves cooperation not only in the economic and trade areas but in every major area of human activity, including the economic, the social as well as the political.

Among the three processes, ideal for the Asian community, only the ASEAN plus three process seeks to build an Asian community, or to be more exact, an East Asian community. In the words of the East Asia Vision Group report and the East Asia Study Group report, the ASEAN plus three process seeks to build an “East Asian community of peace, prosperity and

progress.” The East Asia summit process and APEC have a larger geographical footprint in terms of participating countries and economies.

A community, especially one whose scale is grand and whose coverage is regional like the East Asian community, has to be built, literally brick by brick, by many hands over many years and several decades. It takes much perseverance as well as patience before a cohesive and credible community emerges. Therefore, we should use the term ‘community building,’ which is an ongoing process, rather than ‘community,’ which is an outcome.

In this endeavour, Malaysia’s wholehearted commitment extends also to the structures built around ASEAN, that include the ASEAN plus one, the ASEAN plus three, the ASEAN regional forum, and most significantly the East Asia Summit processes. Malaysia would like to play an important and constructive role in every organisation and process that it participates in.

(Excerpted from the speech delivered at the 13th International Conference on the Future of Asia, Tokyo, Japan, May 24 2007).

Asia and The Middle East: Towards A 21st Century Partnership

Goh Chok Tong,
Senior Minister, Singapore

In recent years, Middle East countries have redirected their attention to a surging Asia, whose growth is led by China and India. China has grown at an average of 9 per cent over the past 10 years. India, too, has seen rapid growth since it began to reform its economy in 1991. Over the past three years, India grew at 8.4 per cent per year. Indian leaders are confident that this growth rate can be sustained, and even surpassed in the coming years. Indeed it can, as India has a large pool of talent and a burgeoning services sector. It is now strengthening its manufacturing sector and proceeding with special economic zones.

Just as Asia is surging forward, so too is the Middle East. Recognizing that, Asia has stepped up efforts to engage the Middle East and understand the region better. High oil prices give many Middle East countries immense capital to invest. They are building massive infrastructure and investing in new sectors to diversify and grow their economies. Asian countries can participate in these projects and contribute to the growth of the

Middle East region. Likewise, Middle East countries can contribute to Asia’s growth.

Over the past decade, trade and investment between the Middle East and Asia have been rising. Asia’s dependency on the Middle East for energy will also continue to grow. Although there are significant cultural differences, apart from similar interests and common challenges. Though we can benefit from sharing experiences and working together, there are key challenges which both the regions face. The first challenge is how to reconcile tradition with modernity and change. The second challenge is the need to maximize human resources.

In Asia, events over the last 200 years can be viewed as part of a long struggle to cope with modernity, which was initiated by contacts with the West. The common driving force of developments throughout Asia and the Middle East has been the profound desire of its peoples to catch up with the West, whilst preserving their own core values and culture. There is no easy formula to determine where the fulcrum between tradition and modernity lies, but it is nevertheless a critical challenge that we must all address.

In a globalizing world, the quality of talent and skills is the key competitive advantage for any country. Human capital will determine who runs ahead of the pack. Today, almost half of Asia’s population is under the age of 24, while more than half of the Middle East’s population is in that age group. A young population is a huge asset, provided it is properly trained. If we are able to maximize their potential, they will become a formidable force driving growth and change in our countries.

Experience of Singapore shows that education is the key element and is therefore customized to maximize the potential of each child and prepare them to be useful, productive and responsible citizens. Many Middle East countries are already investing heavily in human resource development. In Asia, as the experiences of Taiwan, China and India have shown, we have benefited from sending students to study overseas. Many Middle East countries are doing likewise.

Fortunately for Asia, the geo-strategic landscape remains relatively positive. The destinies of Asia and the Middle East are becoming intertwined. The future of our two regions lies in our own hands.

(Excerpted from the speech delivered at The Global Action Forum For Arab And Asian Dialogue, The Ritz Carlton, Millennium, 27 April 2007).



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Community Building in Diversity

Masayoshi Hamada,
Vice-Minister for Foreign
Affairs, Japan

At present East Asia is standing at a major turning point in history. In the region, rapid economic growth, combined with a wave of globalization, has given rise to an intensification of intra-regional mutual interdependence. In addition, a mutual sense of community felt among the young people in various countries around the region is being deepened through the tourism, spread of the internet and mobile phones and through pop culture.

While economic growth has raised people's standard of living substantially and East Asia has been likened to a "growth center of the global economy," still the region is characterized by various uncertainties. China and India, both major nations having over a billion people, have simultaneously achieved high economic growth, and it can be said that geopolitical changes unprecedented in the history of the world are now underway.

In East Asia, the emergence of various regional cooperation frameworks such as ASEAN+3, the East Asia Summit, and APEC is a reflection of countries' efforts to overcome some common regional issues like avian influenza, terrorism, piracy, and large-scale natural disasters. In ensuring the long-term peace and prosperity of East Asia through the promotion of regional cooperation, diversity becomes a critical point. The diversity apparent in so many aspects of the region, ranging from our political and economic systems to our cultures and religions, is on one hand a factor for instability, and yet at the same time it has the potential to be a source of great dynamism and vitality for us.

In order to transform the region's diversity into an asset, first of all it is necessary for us to envision a highly flexible architecture through which relevant countries can make the best use of their individual characteristics to contribute to regional development, in keeping with the nature of the particular issue being dealt with. With regard to this point, it was a truly significant development when the region's Heads of State, including the leaders of China and India, whose energy needs are increasing dramatically, as well as Australia, a major producer of coal, uranium, and other energy resources, held focused discussions

East Asian Economic Integration

East Asian economies have already become well integrated through market-driven production networks, trade and investment. In recent years, Asian leaders have been cooperating more closely to broaden and deepen integration through cross-border infrastructure development, monetary and financial integration, trade and investment integration, and the management of shared risks, such as environmental degradation, communicable diseases, natural disasters and cross-border security.

— Haruhiko Kuroda, President, Asian Development Bank, at The Conference of Montreal Working Breakfast, 19 June 2007, Montreal, Canada.

on the common regional issue of energy security in the second East Asia Summit. Japan has been providing concrete forms of assistance to the countries participating in this East Asia Summit, including the promotion of energy conservation.

At the same time, it is necessary to make conscious efforts to foster within the region the universal values of freedom, democracy, human rights, the rule of law, and transparency in governmental administration and in military capacity so as to ensure stability within this context of diversity.

(Excerpted from the speech delivered on the Occasion of the East Asia Roundtable 2007, Ritsumeikan Asia Pacific University (APU), June 2, 2007).

Asia's Decade of Transformation

Zeti Akhtar Aziz, Governor,
Bank Negara Malaysia

Fortunately, the Asian financial crisis ten years ago marked the beginning of a greater role for Asia in the global economy. Since the 1997 crisis, Asian countries have seized the opportunity to undertake significant restructuring and reforms to strengthen the dynamism and resilience of their economies. The payoffs from these efforts are visible across the region. Asia is now home to the world's fastest growing economies, which contribute about 40 per cent of global output and one-fourth of world trade and hold nearly two-thirds of the world's international reserves. Most economies in the region have shared in this growth, which has helped to reduce poverty, improve living standards, and expand opportunities for more than half the world's population.

Asia has also deepened its integration with the global economy. Although such a high degree of openness means that Asia is exposed to unfavorable external developments, the region has demonstrated time and again its capacity to rebound from adverse

shocks within a short period. In fact, Asia achieved this dramatic transformation from crisis to recovery so fast mainly due to its enhanced economic flexibility, strengthened fundamentals, and improvements in the financial and corporate sectors.

First, the greater flexibility of Asian economies has facilitated adjustment to the changing global and regional environment, resulting in significant changes in Asia's economic structures and a shift to new growth sectors in response to changing dynamics in global competitiveness. Greater flexibility, including more labour and capital mobility, has enabled Asian countries to increasingly participate in the globalization of production, particularly in manufacturing and to expand their technology-related services.

Further, Asia's macro-economic fundamentals have strengthened. Current account balances are in surplus, foreign currency reserves are at record highs, and external debt levels are significantly lower and have improved maturity profiles. Governments' budget positions are broadly stronger, and they are taking measures to ensure greater fiscal sustainability. Inflation has generally been contained, despite being affected by the recent higher oil prices. More flexible exchange rate regimes are also in place, creating the potential for more efficient adjustments to external shocks.

Asia's stronger domestic financial sectors have established the preconditions for greater liberalization and deregulation, enhancing not only the range of business opportunities for financial institutions but also their potential to expand beyond domestic borders and build further on regional economic linkages.

The cumulative effect of all the changes since the crisis has been to position Asia as a dynamic and resilient region in the global economy. The diversity in economic structures, income levels, and resource endowments has also helped accelerate the

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regional integration process. Greater economic regional integration will further unlock Asia's potential. The region has already begun to reap the benefits of increased intra-regional integration on several fronts. Trade within Asia now accounts for more than half of total trade in the region. The emergence of large economies in Asia and the rapidly growing economies in Southeast Asia have created a large and expanding export market, thereby reducing over concentration in the traditional export markets. The Asian economies have also seen increased cross-border investment undertaken to capitalize on growing opportunities and to leverage the region's diversity of comparative advantages and expertise.

Asian integration, both within the region and with other parts of the world, will boost the region's potential to become an important engine of growth in the global economy. As Asia advances toward increased integration and strengthened cooperation, it is important to recognize the different regional strengths and complementarities, together with those of the multilateral agencies, and the need to maximize synergies and avoid duplication of efforts.

(Excerpted from the *Finance and Development*, June 2007).

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Banking on Asia's Future
Supachai Panitchpakdi,
Secretary General, UNCTAD
Larry Summers, Professor,
Harvard University

Ten years after the 1997 financial crisis, Asia has been prospering again, and stands on the cusp of a historic transformation. Optimistically, by 2020, Asia would have largely conquered poverty, would have the largest share of global GDP in terms of purchasing power parity, and would remain a large exporter of capital. In this new Asia, new models will be needed to address the new needs of the region in the next phase of its development.

Asia has been also outperforming other regions in terms of the share of global trade and private financial inflows. Severely short of capital earlier, Asia has racked up a capital surplus and accumulated massive foreign exchange reserves. China and India have started producing large outflows of equity capital. Never before in the world's economic history has such a populous and diverse

region made so much progress in such a short time.

We visualize an Asia that is dramatically transformed by 2020 and will have conquered widespread poverty in most countries, with more than 90 per cent of its people living in "middle-income" countries. But tempering this overall positive picture is the fact that some of the fastest growing countries will still have large numbers of poor people. Asia will continue to have many low-income or fragile economies with large development challenges and continue to require support from donors.

The rapid rise of the major Asian economies, particularly China and India, has also made them key players in major global issues such as carbon emissions and energy security. In the interest of both of their own people and of the larger global community, they need to confront these issues.

In this transformed Asia, the main policy challenges facing most countries will change very fundamentally, from fighting extensive poverty to tackling issues arising from economic success. The central issue will be to raise productivity and create better paying jobs while minimizing problems posed by rapid growth. In this transformed Asia, all development institutions operating in the region multilateral as well as bilateral must embrace this new reality, or face extinction.

The Eminent Persons Group has recommended that ADB must change radically and adopt a new paradigm for development banking. The new ADB's mandate should be driven by three complementary strategic directions: moving from fighting extensive poverty to supporting faster and more inclusive growth, from economic growth to environmentally sustainable growth, and from a primarily national focus to a regional and ultimately global focus.

(Excerpted from *The Wall Street Journal*, 25 April 2007).

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Asia Is Still A Star on the Economic Front
David Burton, Director, IMF's
Asia and Pacific Department

Asia is once again the star, as much of its success has been the result of its sound policies and deep structural reforms, which would help the region weather any market volatility. At the recently held World Bank-IMF meetings, the Asian region once again

stands out for its economic performance. Emerging Asia's economic growth rate reached nine per cent in 2006, led by the remarkable performance of China and India, while inflation remained generally under control.

Moreover, Asia's financial markets proved their resilience during bouts of global market turbulence in mid-2006 and early this year, generally faring better than their counterparts in other regions. Investor sentiment towards the region remains positive. However, according to the IMF's latest *Asia and Pacific Regional Economic Outlook*, the year 2007 promises to be another good year and the growth for emerging Asia is expected to moderate only slightly to 8.5 per cent this year.

A modest re-balancing of growth towards domestic sources is also anticipated, highlighted by stronger investment in much of emerging Asia and a pick-up in consumption in China. It is clear that Asia's transformation to an economic powerhouse is founded in large part on its integration into the global economy. Trade liberalisation within the region and with the world has played a key role in sustaining rapid growth. And we are now seeing an acceleration in financial sector integration as ongoing efforts to develop and liberalise financial systems and promote regional financial integration bear fruit.

We know that capital market integration and liberalisation can provide important benefits as it has helped countries access global savings, brought financial know-how, risk management techniques, and new financial products from abroad and allowed residents to diversify their portfolios by purchasing assets overseas.

Further, re-balancing of growth in the region towards domestic demand, a process that is likely to go hand-in-hand with further real appreciation of some currencies over the medium term, will put growth on a more sustainable footing and contribute to addressing global imbalances. But capital flows may still pose challenges for macro-economic management for some countries. Gross inflows and outflows have become more volatile in the region, reflecting both the increase in the size of inflows as well as the growing importance of portfolio flows and bank lending and derivative transactions. And surges in inflows in some cases have at times been associated with strong pressures on exchange rates or asset prices.



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Greater exchange-rate flexibility, with limited two-way intervention to smooth exchange-rate movements, is one element. Strong monetary policy frameworks that can help keep inflation expectations in check are another. Policies aimed at strengthening risk management and developing domestic financial markets, including in the context of regional financial integration, can help financial systems cope with surges in capital flows.

(Excerpted from the *nst.com*, 14 April 2007).

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Ready for the Asian Union? Shim Jae Hoon, *Washington Post*

One generally wonders about the possible implications does the European Union model have for Asia. It is not yet clear whether Asia should build a single market or borderless region. I believe that already, Japan and South Korea, despite their political differences are quietly talking about waving visa requirements for each other's citizens. Their steel and automobile industries are closely linked through mutual investment and exchanges of technology. China and India, with a combined population of 2.3 billion, have become a major market for Korean goods. East Asians are building these increasingly peaceful interactions upon a common heritage of Buddhism and Confucian culture.

In order for a big leap in Asia, two things are vital for this process to begin, initially the speedy achievement of regional economic integration and spreading the desire for further development and prosperity within a borderless Asia. At the same time, regional powers like Japan and China must take the lead in starting an Asian version of the Helsinki process by launching an organization for security and cooperation in Asia to promote dialogue and detente. Promotion of human rights and exchanges of science, technology and culture within the region should be facilitated by this multilateral channel.

Arrival of the age of development in China and India, Asia's two largest nations, has made it possible to start dreaming about an Asian Union based on economic benefits and common political aspirations.

(Excerpted from the *Washingtonpost.com*, 29 March 2007).

© *Washingtonpost.com*.

Japan Needs to Push for an Asian Community Bill Emmott, Former Editor, *The Economist*

One generally wonder will there ever be anything in Asia like the European Union? Now, at least, Asia has stability and the beginnings of institutions that could be the basis of a European-style community. The formation of East Asia Summit is the latest and broadest such framework. Moreover India, China, Japan and the Southeast Asian nations want a community to be built. However, it is chiefly a matter of time and, perhaps, of political systems. Time for Asian governments to become accustomed to collaboration and negotiation with one another, given the widely differing states of economic development across the region and political systems.

Countries are likely to make the commitments necessary to form a community when they think it is in their national interest to do so. Asia's two giants, China and India, are both experiencing rapid economic growth and, with it, a transformation of their international status and of their perceptions of themselves. In such a situation, countries are likely to ask themselves whether it would be better for my country if we make commitments soon, or if we wait

until much later, by which time we will be much more powerful?

In the case of China and India, the answer looks obvious as it would be better to wait, at least if you are confident that your economic growth is going to remain rapid. Later, you will be in a better position to dictate the terms by which a community is formed. On the other hand, for Japan and the Southeast Asian countries, the answer is the opposite. It would be better to get things started sooner, as their strength relative to China and India is expected to decline as the years go by. So, there is a basic difference of interest between the major countries that would have to take the initiative in launching a true Asian community.

In this scenario, it appears that both China and India think that the future belong to them, but may be they both can't be right. However, in that sense, India remains less confident of its future strength than is China. So, India may be persuaded to make commitments sooner than China would be. Thus, the best policy option for Japan is to use India as an ally in beginning the process of community-building. If a community is to be built, with rules and commitments then Japan will not need only India as an ally but also need the Southeast Asians, too.

(Excerpted from the *asahi.com*, 3 April 2007).

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Further Readings

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Yearbook of Asian Affairs 2006

Institute of Developing Economies, JETRO, 2007
ISBN- 978-4-258-27005-7



In Asia, new developments in economic relations among the countries were witnessed in 2005. First of all, the movement toward regional integration acquired momentum followed by the East Asian Summits may be called the first step toward formation of the East Asian Community in the future. At the bilateral level as well, there was an increasing trend of signing of FTAs and EPAs by countries in Asia. In this context, China and India have increased their presences in Asia. China, with its continued high growth, sought to secure sources of energy and markets for its products and so strengthened diplomatic and economic relations with other Asian countries. India also actively developed its foreign relations so as to expand trade with Southern Asian, Southeast Asian, and Middle Eastern countries. Moreover, China and India themselves developed a closer relationship as well. There was concern over the effects of soaring international oil prices in the Asian economy, but in the short term, the high prices did not generate serious results.

This *Yearbook of Asian Affairs 2006* encompasses 13 major individual Asian countries/region and presents an analytical overview of trends during 2005 in politics, economics, and foreign relations, based on field studies and local survey of literature. Moreover the "Main Topics" section provides a comprehensive understanding of the state of affairs in Asia, taking up such themes as FTAs, the first EAS, the United States and Asia, and the effects of soaring oil prices.

An East Asian Renaissance: Ideas for Economic Growth

Indermit Gill and Homi Kharas
World Bank Publications, 2007
ISBN-10: 0821367471
ISBN-13: 978-0821367476



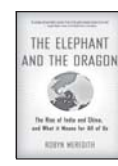
East Asia, a region that has transformed itself since the financial crisis of the 1990s by creating more competitive and innovative economies, must now turn to the urgent domestic challenges of inequality, social cohesion, corruption and environmental degradation arising from its success, a new World Bank report has found. The final

version of the report shows that having successfully undergone two waves of integration – first with global markets and then within the region itself – East Asia now needs to move to a third integration, this one at the domestic level.

The report argues that regional flows of goods, finance and technology are helping even smaller East Asian countries reap the benefits of economies of scale and that this regional integration must be encouraged. But it also points out that these measures have to be supported by actions at the domestic level to ease the stresses and strains that rapid economic growth leaves in its wake. Foremost in this agenda is the need to build vibrant cities, cohesive societies and clean governments. The report analyzes the forces that have transformed East Asia and concludes that the economic landscape today is quite different because of the effects of economies of scale. These have driven East Asia's continuing success and have led to intra-regional trade patterns responding to sophisticated regional production networks, greater focus on higher skill and technology products, rapid uptake of innovation and healthier banking and credit structures.

The Elephant and the Dragon: The Rise of India and China and What It Means for All of Us

Robyn Meredith
W. W. Norton, 2007
ISBN-10: 0393062368
ISBN-13: 978-0393062366

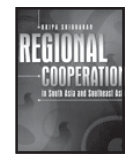


Meredith, who covers India and China for *Forbes*, upends conventional wisdom in this well-reported book, arguing that the U.S. shouldn't fear these two rising economic powers. The U.S. and China have, respectively, the fourth largest economies, but they will reach parity in 2015. Though American politicians tax Chinese goods, Meredith points out that Americans actually gain from the undervalued yuan: our companies profit from the cheap goods the Chinese manufacture. Meanwhile, India has picked up most of the one million white-collar jobs that moved out of the U.S. by 2003. But Meredith notes that for every dollar that goes overseas, \$1.94 of wealth is created—all but 33 cents of which returns to the U.S. Protrade and anti

protectionist, she makes a compelling argument that China is doing better than India because it moved toward a market economy in 1978, while India began to liberalize in 1991. She also looks critically at each country's plans for the future, noting that China's citizens save more, while India's infrastructure and education system are falling behind. She concludes that if inward-facing India and communist China can transform themselves, so can the United States of America.

Regional Cooperation in South Asia and Southeast Asia

Kripa Sridharan
ISEAS, 2007
ISBN : 978-981-230-426-1



Globally recognized fact about regionalism suggests that it is better to be regionalized and faltered than never to have regionalized at all. In context of this, the present book by Kripa Sridharan provides a comparative sketch of regional cooperation in South and Southeast Asia in the light of various political, economic and social developments in South Asia and Southeast Asia. This study regards regionalism both as a formal entity and a process and seeks to explain the dynamics of regional cooperation from this intertwined perspective.

The present book is a collection of six chapters. The first introductory chapter presents a comprehensive overview of logic of regionalism, for that author titled it as *Why Regionalism?* The second chapter *Regionalism: The Institutional Framework* emphasized the need for a proper institutional mechanism that can help the regional enterprise in its task. A comparative analysis of ASEAN and EU framework of cooperation has been thoroughly discussed followed by a comparison of ASEAN and SAARC structures. This chapter argued that the present mechanism are insufficient to achieve the objective of cooperation or to further the integration process in the two Asian regions.

The chapter on the *Patterns of Economic Regionalism* by T.C.A. Srinivasa-Raghavan examines the economic dimensions of regionalization in the context of ASEAN and SAARC with a view to identify the necessary and sufficient conditions for economic integration in a region to succeed.



Japan and East Asian Integration: Myth of Flying Geese, Production Networks, and Regionalism

(Institut Fur Weltwirtschaft Und Internationales Management)

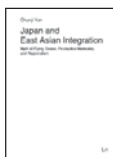
Chunji Yun

Lit Verlag, 2007

ISBN-10: 3825889807

ISBN-13: 978-3825889807

East Asia is now one of the most dynamic parts of the increasingly regionalized world economy. This book explores the structure and upgrading mechanism of the highly integrated economy, reviewing the previous paradigm centered on Japan. The focal points are on the flying geese paradigm, the regional production networks, a re-interpretation of the East Asian crisis, the post-crisis transformation of the regional economy and a search for further regional cooperation. This volume aims at presenting, through these analyses, an alternative view for and a perspective on future East Asian regionalism.



Korea in the New Asia: East Asian Integration and the China Factor

Francoise Nicolas

Routledge, 2007

ISBN-10: 0415420067

ISBN-13: 978-0415420068

Since the late 1970s a number of regional developments have impacted upon South Korea's political and economic standing in Asia. China's spectacular growth and closer integration with its neighbouring economies, along with a tendency toward more assertive political and diplomatic activity, have deeply altered both the economic and political East Asian environment. Simultaneously, the 1997-98 financial crisis catalysed a process of increased regional cooperation in East Asia. China's rise has imposed a leadership problem that may constitute a major obstacle on the road to deeper regional integration, as well as add force to the need for collective action, and it is this paradox that may give South Korea a key role in the reorganization of the region. Moreover, inter-Korean relations and Korea's future security environment may also feel the effects of the rise of China.



Korea in the New Asia seeks to analyze to what extent and how South Korea may contribute to, and take advantage of, the new regional configuration in East Asia. The

book represents the first study to address Korea's regional policy responses to the rise of China as an economic power and the regional economic integration of East Asia.

Economic Dynamism of Asia in the New Millennium: From the Asian Crisis to a New Stage of Growth

(Advanced Research in Asian Economic Studies)

Editor : Yoshinori Shimizu

World Scientific Publishing Company, 2007

ISBN-10: 9812568980

ISBN-13: 978-9812568984

Beginning with the analysis of the Asian crisis and the subsequent capital flight, the book goes on to study the impact of these events on the Hong Kong economy, the role of the government in Indonesia and financial restructuring in Thailand. The book then explores the new movement of regional cooperation, such as Free Trade Agreement, and financial cooperation and integration. On the real side of the economy, the book delves into issues such as cooperation between Japan and China, development of the Greater Mekong sub-region, growth of China, fiscal coordination in Korea, technological network in East Asia, and growth and inequality in Vietnam.



Toward an East Asian Exchange Rate Regime

Editors : Duck-Koo-Chung

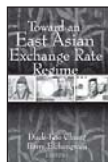
and Barry J. Eichengreen

Brookings Institution Press, 2007

ISBN-10: 081571419X

ISBN-13: 978-0815714194

East Asian exchange rates have become a global flashpoint. U.S. policymakers blame artificially low Asian currency values for global imbalances, including America's ballooning current account deficit. The solution, they argue, lies in some combination of greater exchange rate flexibility and the appreciation of Asian currencies against the dollar. Asian officials recognize the need to let their exchange rates rise, but they fear that would hamper growth and cut sharply into the value of their dollar reserves.



Toward an East Asian Exchange Rate Regime offers a timely and comprehensive analysis of the resulting debates, drawing on

expertise from China, Japan, South Korea, and the United States. The introduction reviews the issues at stake, sketches a variety of proposed exchange rate regimes, and discusses comparisons between East Asia and the West.

Subsequent chapters examine the connection between global financial imbalances and East Asian monetary cooperation, China's potential role in regional coordination, the relationship between monetary and trade integration, and different paths toward regional cooperation. Authoritative yet concise, this is an essential primer on East Asian monetary integration.

Economic Growth and Convergence in Selected South Asian and East Asian Economies: A Data Envelopment Analysis

Somesh K. Mathur

Icfai University Press, 2007

ISBN: 81-314-0598-2



There has been considerable research inquiry into the causes and nature of differences in growth rates across countries and regions over time. Even small differences in these growth rates, if cumulated over a long period of time, may have substantial impact on the standards of living of people. Despite considerable research on the subject, cross-country and cross-regional income disparities are on rise over time. Understanding the causes behind such inequalities is essential to formulate appropriate policies and bring about required institutional changes in order to spread the benefits of growth processes across regions.

Author in this book, apart from testing other testable hypotheses on different regions and within countries, test for absolute and conditional convergence across and within regions, work out speed of absolute and conditional convergence and identify policies which may reduce differential levels of per-capita income levels and growth rates of regions.

Preferential Trading Agreements in Asia: Towards an Asian Economic Community

Editor : Amita Batra

Academic Foundation, 2007

ISBN-10: 8171886302

ISBN-13: 978-8171886302

Addressing the problems posed by existing bilateral and pluri-lateral preferential trading



RESOURCES

arrangements in Asia, these papers by regional experts explore the possibility of creating an Asian economic community. Various models and definitions of economic union are presented, and contributors debate the feasibility and economic benefits of each. Alternative views from India and China also delve into complicated issues surrounding the integration of services and investment initiatives.

The Post-Crisis Sequencing of Economic Integration in Asia: Trade as a Complement to a Monetary Future

Michael G. Plummer and Ganeshan Wignaraja

Asian Development Bank, 2007

Bilateral and regional cooperation initiatives in Asia have been growing in importance over the last five years. These accords span the real and financial sectors; rather than following the more typical pattern of "trade first, money later." Recent policy initiatives involve the simultaneous implementation of trade and monetary/financial accords. Given this sequence, is there a case for monetary union in East Asia? Is there a case for expanded free-trade areas (FTAs) in the region?

This paper attempts to answer these questions using a variety of empirical techniques, including a Computational General Equilibrium (CGE) model, to evaluate the economics of monetary/financial integration and various configurations of FTAs in Asia.

We conclude that, at present, the post sequencing of economic integration in Asia is developing such that trade agreements will ultimately complement the movement toward financial and monetary integration. While the political constraint on monetary union is real, it is argued that FTAs should help relax this constraint, adding a political complement to the trade complement.

India's Rising Role in Asia

Mukul G. Asher

This paper analyses recent developments in India's external economic relations, with particular reference to Asia. India's demonstrated capacity to sustain moderately high growth over a prolonged period, primarily led by private sector companies provides an avenue for global risk diversification for major economic powers. The paper demonstrates that India's qualitative and quantitative integration with the rest of

Asia (and the world) is far deeper than commonly perceived. India must continue with the integration process and with efforts to shift to 8 to 10 per cent sustained growth path if it is to reduce poverty and improve quality of life of its 1.1 billion people. There is no room for complacency as India faces severe challenges in sustaining and developing competitiveness in manufacturing, agriculture and services. Higher growth path will require

enhancing complementarities and cooperation among public and private sectors; and taking advantage of India's demographic trends. The paper strongly urges India's political parties, media, and other elites to strategically and vigorously pursue country's core economic and strategic interests to meet challenges arising from competing nations.

(RIS Discussion Paper No. 121, 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 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.

RIS

RIS is an autonomous policy think-tank, based in New Delhi, and specialised in trade and development issues. Its work programme focuses on multilateral trade negotiations, regional economic integration in Asia, new technologies and development, and South-South cooperation in general, among other issues. 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.

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.



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