



Asian Economic Community

'An idea whose time is fast approaching': Indian Prime Minister

A decade ago we unveiled our "Look East" policy. This is more than a mere political slogan, or a foreign policy orientation. It has a strong economic rationale and commercial content. We wish to "Look East" because of the centuries of interactions between us. This tradition, and our faith in the principles of democracy and pluralism, bring all of us together. We also share a desire for a stable, secure and equitable, new order. The question of achieving stability and security in our region is also a common factor, particularly as we collectively face a threat from similar foes, who oppose our core values. Therefore, as we 'Look East' and you 'Look West', it is natural that we look at each other in this enterprise of restoring to Asia its rightful place in the comity of nations.

Today, India and ASEAN have joined hands on a whole array of issues, ranging from regional trade and investment cooperation, to interaction on regional security. The encompassing vision of such a closer integration is set out in the Framework Agreement on Comprehensive Economic Co-operation between India and ASEAN. What was envisaged was the creation of an India-ASEAN Regional Trade and Investment Area, which would include a Free Trade Area in goods, services and investment.

Integration is a process that is being driven today, both by the technological revolution that shrinks distances, and by interconnected population. Therefore, it is only inevitable that we seek to take the existing India-ASEAN relationship to a higher level, where we envision an Asian Economic Community, which encompasses ASEAN, China, Japan, Korea and India. Such a community would release enormous creative energies of our people. One cannot but be captivated by the vision of an integrated market, spanning the distance from the Himalayas to the Pacific Ocean, linked by efficient road, rail, air and shipping services. This community of nations would constitute an "arc of advantage", across which there would be large-scale movement of people, capital, ideas, and creativity. Such a community would be roughly the size of the European Union in terms of income,

and bigger than NAFTA in terms of trade. It would account for half the world's population, and it would hold foreign exchange reserves exceeding those of the EU and NAFTA put together. This is an idea whose time is fast approaching, and we must be prepared for it collectively.

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In preparing ourselves for this ambitious goal, there is much that we have already undertaken. We have embarked on projects to interconnect existing roads and rail links, we are striving to increase flight services and destinations, to provide multi-modal transportation linkages and to provide optical-fibre supported communications. We are attempting to expand our partnership in the new knowledge economy, which dominates the world, covering areas such as information technology, communications and biotechnology. These new initiatives will bring us closer - physically and virtually - and create the necessary linkages, which will further bind our countries together.

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However, we need to find ways of emphasising the logic of such partnerships within our own countries. One such example of such an effort is the India-ASEAN Car Rally. This rally will run through ten countries before finishing in Indonesia. It will dramatically symbolise the effort to forge

new linkages, while embodying the spirit of our cooperation.

We are working towards completion of FTA negotiations between India and the ASEAN. A balanced expansion of trade will provide the best argument for local industries to embrace the potential benefit of these arrangements. We must also ensure that our trade baskets increase qualitatively, in value terms, and in terms of the diversity of products in the trade basket.

The first fruits of trade liberalisation will be available through the Early Harvest Programme, which provides for immediate tariff concessions. This is a confidence building measure and a harbinger of changes, which will follow in years to come.

At the same time, it is essential to recognise that our different historical experiences, and our differing levels of development provide us with both a challenge and an opportunity. We must therefore set ourselves the target of working with each other for our common, collective benefit.

Investment, as I have always said is, in the final analysis, an act of faith. We believe the Indian economy can absorb up to \$150 billion of foreign investment in the infrastructure sector over the next ten years. There is, therefore, a large window of opportunity for ASEAN businessmen to invest in our country.

Equally, Indian business must invest in South-East Asia. We have some attractive examples of successful Indian enterprises in the region. But we need more, especially in the newly industrialising economies of ASEAN where opportunities for new investment are presenting themselves.

I would like to affirm that our government will be committed to policies that enable us to work more closely and more intimately with our neighbours and South East Asia. It is such mutually beneficial business links that will, in the final analysis, give meaning to our "Look East" policy. Moreover, it is this that will eventually give shape to the idea of an Asian century."

(Excerpted from Indian Prime Minister, Dr Manmohan Singh's speech at the Third India-ASEAN Business Summit, October 21, 2004)

India's Integration with East Asia: Win-win for Asia

— by Prof. Mukul G. Asher
National University of Singapore

There appears to be a perception in some circles in East Asia that India's economic integration with them is limited. This perception, in part a hangover of the relatively less-outward oriented economic growth strategy of the past, has the counter-productive consequence of East Asia not grasping win-win economic and strategic opportunities with India.

Analysts in East Asia usually cite the following statistics to support their perception. India's global merchandise trade share of 0.8 percent (same as for Indonesia) is relatively low; and so is the share of India's merchandise trade in relation to GDP (In 2004-05, India's merchandise trade is expected to be USD 160 billion, about 25 percent of GDP). India's exports to the rest of Asia, mainly East Asia, were about 30 per cent of its total exports in 2002-03 (up from 23 per cent in 1990-91), while corresponding ratio for its imports was around 20 per cent (up from 8 per cent in 1990-91). India's official FDI at around USD 4 billion (nearly USD 10 billion if measured using international norms) is also regarded as too low; and relatively small share is from East Asia.

There are several reasons why the usual indicators do not fully convey India's rapid integration with the rest of the world in general, and with the rest of Asia in particular.

First, between 2000 and 2004, India's merchandise trade has grown by USD 51 billion. This is reflected in the considerable acceleration in the merchandise trade between India and other key Asian nations such as China. India's capacities for exports have also increased considerably in recent years, and this is set to continue. India can be a supplier of key commodities (food, pharmaceuticals, chemicals and machinery).

India's FTA with Sri Lanka and Thailand are already operational. India-ASEAN FTA; and India-Singapore agreement are making progress. India is also not averse to having bilateral pacts with China and Korea.

As India's tariff levels become more closely aligned to those of East Asia, recent sharp growth in merchandise trade is expected to continue. India is indeed proving to be an energetic unilateral liberaliser.

Second, the emphasis on merchandise trade alone ignores the increasingly critical role of international trade in service

transactions. According to the *International Trade Statistics 2003* by the WTO, India ranks 19th in world exports and imports of commercial services. Indeed, none of the ASEAN countries rank higher than India in service imports. India's software service exports alone are estimated to be USD 50 billion by 2007-08.

Third, a large number of Fortune 500 and other companies (including from China, Japan and Korea) have set up engineering, design and R&D centers in India. Some of the activities are dedicated to bringing about future high technology products. One of the key chip design centers for Intel is located in India. Thus, while East Asia is undoubtedly a leader in electronic manufacturing, the fact that a key common component, the chip, has a "served in India, for the world" element, makes India very much a part of the electronics research-production-distribution chain. Chip is an indispensable component, but its contribution to total value-added may be small. Thus merchandise trade does not fully capture India's key contribution.

Fourth, two way investment flows between India and the rest of Asia are increasing rapidly. Korea, China, Japan and Singapore have made significant direct and/or portfolio investments in India. As Indian companies globalise, they are making increasingly large and strategic investments in East Asia. As an example, Tata Steel's recent acquisition of National Steel based in Singapore will impact several Southeast Asian economies where National Steel has manufacturing facilities. Similarly, Tata Motors' acquisition of Daewoo's truck plant in South Korea will enhance its presence in East Asia.

Large infrastructure investments in roads, airports and sea ports are being made in India. Countries such as Malaysia have won substantial projects in roads in open competitive bidding. India is also increasingly playing a role in two way flow in education services. Many Indian students study in rest of Asia, while Indian schools (two are already operating in Singapore) and Universities are venturing in Southeast Asia. India is also expanding collaboration with Malaysia beyond just medical education. India's world class technical and management institutions are being recognised in the rest of Asia as well. Its media and entertainment

industry is influencing audiences in Asia as well as the rest of the world, and 'Bollywood' is now a global brand.

Fifth, the Indian diaspora is nearly 25 million strong, and in most of the countries their socio-economic status is well above average. As far as Asia is concerned, global Indian professionals are both internationally competitive and culturally compatible. In almost every Asian country, Indian managers, technicians, professionals and semi-skilled workers are making important economic contributions.

Sixth, India, in cooperation with Brazil and China, played a key role in constructive agreement at WTO's recent meeting in Geneva. India's integration with the rest of Asia could prove to be a further catalyst in making WTO, a preferred institution for multilateral liberalisation, more effective and responsive.

Seventh, there are complementarities in demographic trends of East Asia and India. Just as East Asia is about to enter into a phase of demographic burden, implying lower share of working age population, and higher median age of workers, India is entering a demographic gift phase, with higher share of working age population. Along with information technology, an India integrated into Asia could help address East Asia's demographic challenges.

The above analysis strongly suggests that India's participation in existing and prospective formal organisations and institutions will significantly enhance Asia's capacity to address the continent's challenges; and enhance its leverage and influence in world affairs. Non-inclusion of India will force it to look extra-regionally for economic and strategic regions. A non-integrated India, with a USD trillion dollar economy before the end of this decade, is not in the interest of rest of Asia either economically or strategically.

Currently, ASEAN plus three (China, Japan, Korea) and ASEAN plus India have separate Summits. If regular meetings of ASEAN plus four are initiated, then all the major economies of Asia will be able to co-ordinate and cooperate while setting norms for competing with each other. It is time to pursue such win-win strategy for Asia by beginning a journey towards Asian Economic Community. ■

First BIMSTEC Summit Held in Bangkok

The first ever BIMSTEC Summit, which also marked the rechristening of the grouping, was held in Bangkok on July 31, 2004. The leaders of seven Asian countries agreed upon rearranging the acronym BIMSTEC in view of the increasing membership and areas of cooperation. Thereby, the association will now be known as the "Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation", or BIMSTEC for short.

At the first Summit meeting, the leaders adopted a Declaration, in which they urged further progress in ongoing areas of cooperation, including timely completion of the FTA negotiations, development of transportation infrastructure, interconnection of energy grids,

enhancement of tourism and business travel, and people-to-people exchanges.

The Meeting welcomed India's proposal to host a BIMSTEC Working Group meeting on terrorism. The Working Group would coordinate work in such areas as intelligence and capacity building.

Emphasising on the importance of protecting biodiversity and traditional knowledge, in particular traditional medicine, the leaders agreed to set up a network of national centers of excellence to discuss ways to promote traditional medicine and generic drugs, so that the poor would have access to affordable treatment. The Meeting welcomed Thailand's offer to serve as lead country on this area of cooperation.

Bhutan's offer to host a

Ministerial Meeting on culture was also welcomed. The leaders also discussed practical ways to promote BIMSTEC as a single tourism destination. In this connection, India offered to host a Roundtable and Workshop of tourism ministers and industry representatives, so that they can work out concrete ideas to highlight the BIMSTEC area's historical and cultural attractions.

India also proposed to host a Ministerial Conference on Energy Cooperation in 2005, which was welcomed by the other leaders at the summit. Thailand offered to extend a credit line on account trade for BIMSTEC members to buy agricultural products from Thailand. The leaders of BIMSTEC concluded by agreeing to task their Foreign Ministers with the responsibility

of coordinating overall BIMSTEC cooperation. The next BIMSTEC summit will be held in India in the year 2006.

(Source: Ministry of Foreign Affairs, Thailand, Press Release) ■

Asian Parliament Leaders' Meeting Sets Agenda for Next Assembly

The Executive Council Meeting of the Association for Asian Parliaments for Peace (AAPP) was held on July 5, 2004 at the Manila Hotel, Philippines. The Meeting, attended by leaders of 37 Asian Parliaments, approved the applications of Palamu, UAE and Libya for membership and agreed upon, "Vision for Asia: Peace and Development Through Inter-parliamentary Cooperation and Dialogue", as the central theme for its forthcoming General Assembly.

The Council also approved the topics of workshops to be held during the General Assembly, which include political issues such as urging parliaments to prioritise and include terrorism and poverty in their legislative agenda; socio-economic issues like role of Asian Parliaments in enhancing coordination exchanges and cooperation in the field of Economics and Social Development, Including Regional and Inter-Regional Free Trade Arrangements, the possibility of a Common Market and an eventual Common Asian Currency. Under the socio economic issues the stress would also be on urging parliaments to adopt a sound population management programme reduction in their legislative agenda. Further, the topics include peace and security issues such as the role of Asian Parliamentarians in promoting peace, stability and security in the regions, combating terrorism and suppression of drug trafficking. The workshop topics would also include implementation and enforcement of laws on reproductive health, prohibition and penalisation of violence against and women, sexual exploitation and

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CECA can Eventually Lead to an Asian Economic Community: Singapore PM

Mr. Goh Chok Tong, Prime Minister of Singapore, paid a State Visit to India from July 8 to July 11, 2004 at the invitation of Indian Prime Minister Dr. Manmohan Singh. Besides holding meetings with the President, Prime Minister and his delegation, an important event that marked his visit was the granting to him of the Jawaharlal Nehru Award for International Understanding 2003 by the President of India, Dr Abul Kalam.

During his stay, the Prime Minister of Singapore made certain important comments and suggestions towards increasing cooperation between India and Singapore and also among Asian countries in general.

He observed that India has changed remarkably since 1994, as has indeed the world. India is now a rising economic star. "The international business community has caught the "India fever" and is beating a path to her door. India's business community is exuding enormous confidence", he asserted.

Thereafter, he pointed that just as India has looked east,

Singapore has looked west towards India. In recent years, the collaboration between the two countries has grown even stronger. In 2003, Singapore's total trade with India stood at nearly US\$4.6 billion and India has become Singapore's 14th largest trading partner. Singapore is India's 11th largest investor with cumulative investments worth about US\$1.5 billion.

"Our growing cooperative ties are underpinned by many shared strategic and security interests", he argued. He cited the recent conclusion of the Singapore-India Mutual Legal Assistance Treaty as a concrete example of the shared commitment to combat international terrorism between the two countries.

Further on he said, "Last year, our countries took another leap forward by commencing negotiations for the Comprehensive Economic Cooperation Agreement (CECA). A substantive or what I call "gold standard" CECA would give our mutually-beneficial partnership a strong boost. It would

send a powerful signal to the international business community of India's commitment to economic liberalisation".

The CECA is not just an economic agreement. It provides a strategic framework for India to play a bigger role in Asia and engage deeper with ASEAN. The CECA will lay the foundation for enhanced links between India and the regions of Southeast Asia and East Asia. "In time, CECA can eventually lead to an Asian economic community linking South Asia, Southeast Asia and Northeast Asia", he emphasised.

Such a community, he said, will result in a strong and prosperous Asia, with India as one of the key pillars. "The stars are falling into alignment and we have the chance to turn this into Asia's Century. We must not miss it", he highlighted while concluded his speech at the Jawaharlal Nehru Award ceremony.

(Source: Prime Minister Goh Chok Tong's speeches at the at the acceptance of the Jawaharlal Nehru Award for international understanding at Rashtrapati Bhavan, New Delhi and at the official dinner hosted by Dr Manmohan Singh, National Archive of Singapore, Speech Archive) ■

Malaysian PM Proposes Asian Monetary Institute

The Malaysian Prime Minister Ahmed Badawi proposed the establishment of an Asian Monetary Institute, to enhance policy collaboration in the region, at the Asia Economic Summit held in Kuala Lumpur on August 10, 2004. His speech, which was read on his behalf by Minister Datuk Mustapa Mohamed, dealt at length upon the issue of regional economic integration and cooperation in Asia.

The Prime Minister over viewed the regional initiatives that are currently afoot to improve financial cooperation in Asia. He said that the Chiang Mai Network of bilateral swap agreements could play a significant role if a participating country ever got into financial difficulties and the efforts underway to spur the development of regional bond markets should help diversify sources of finance away from the banking systems and limit

reliance on foreign currency debt.

Discussing the initiatives that have been taken up to promote regional trade integration, Prime Minister Badawi said, "Bilateral initiatives have proliferated and have contributed to stronger trade linkages across the region and have increased the cohesion of the regional economy and supported its recovery."

However, "care needs to be taken to avoid creating very complex tariff systems and to ensure that regional arrangements are not a substitute for multilateral trade liberalisation", he cautioned.

"What is important is to make sure that regional and bilateral trade initiatives remain consistent with broad participation in the global economy, from which Asia has benefited so much and which is key to its growth prospects", he advised.

The Prime Minister also stressed that cooperation should

move beyond finance and trade, into the realms of health, science and technology, labour, environment, tourism, education for developing people to people contact and enhancing friendship in the region.

To ensure this, he proposed that the region enhances its integration and that the ASEAN+3 process should be advanced to become a summit of the East Asian

economic community. This new arrangement, he asserted, will provide leaders in the region with a greater sense of integration of East Asian countries and at the same time, secure a very pragmatic platform for regional cooperation in the sphere of economics, finance, trade, politics and diplomacy.

(Source: Keynote address by Abdullah Ahmad Badawi, Prime Minister of Malaysia at the 2nd Asia Economic Summit, available at the Malaysian PMO website) ■

Road Map for a More Integrated Asia at the ADB Conference

Asia's regional cooperation and integration can produce win-win results in both the quantity and quality of economic growth, thus helping to reduce poverty throughout the region, ADB President Tadao Chino told a conference of regional policymakers and experts at ADB headquarters held on July 1-2, 2004.

"The long-term vision is that of a closely integrated, prosperous, poverty-free and peaceful Asia," Mr. Chino said.

Organised by ADB's Regional Economic Monitoring Unit (REMU), the "High-Level Conference on Asia's Economic Cooperation and Integration" examined evolving cooperation trends within and between Asia's subregions, and the discussions centered on developing a long-term vision and road map for a more integrated and prosperous Asia.

The two-day conference focused on three main areas: trade and investment, money and finance, and infrastructure development.

A number of free trade agreements (FTAs) have been signed or are under negotiation in East and South Asia, such as the Association of Southeast Asian Nations (ASEAN) FTA, the ASEAN and People's Republic of China (PRC) FTA, the Japan-ASEAN Closer Economic Partnership, and the South Asia Free Trade Area. New FTA "bridges" across subregions are also under construction, such as between ASEAN and India and the Thailand-India FTA.

In monetary and financial cooperation, there is the ASEAN+3 Informal Policy Dialogue Process,

regularly providing information exchange and policy dialogue. The Chiang Mai Initiative began the process of regional reserve sharing and pooling through currency swap arrangements. And, for the first time, the region's debt markets are being actively promoted and developed under the Asian Bond Markets Initiative. In addition, the Asia Cooperation Dialogue brings together countries in South Asia, East Asia, and the several Middle Eastern countries.

Subregional programs have also contributed to improved connectivity through infrastructure development. The Greater Mekong Subregion is a prominent example, as is the Central Asia Regional Economic Cooperation (CAREC), and the South Asia Subregional Economic Cooperation (SASEC). Joint infrastructure projects between SASEC and GMS are under consideration.

"Given the progress in regionalism in Europe and the Americas, the opportunity costs of not accelerating regional integration are high for Asia," said REMU Head, Yoshihiro Iwasaki.

A number of presentations were made at the conference, entailing the various alternative road maps for Asian economic integration in a phased manner, including the RIS proposal of establishing an Asian Economic Community with Japan, China, ASEAN, India and Korea taking the lead to set up a core group named JACIK, to make a beginning for an eventual community comprising of all the Asian countries.

(Source: ADB Media Release, July 1, 2004) ■

BIMSTEC Railways Officials Study Tran-Asian Rail link

A two-day first meeting of Chief Executive Officers of Railways of BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) countries was held on September 20-21, 2004 in New Delhi. The meeting was organised to discuss pooling of resources for harmonising different rail technologies, development plans of national railway networks, development of multi-modal and inter-modal services and training facilities to achieve the ultimate vision of Trans-Asian Rail Links spanning over South East Asia, South Asia, Central Asia and Europe. The meeting took place under the aegis of the United Nations Economic and Social Council for Asia and the Pacific (UN ESCAP).

The meeting was inaugurated by Professor Anwarul Hoda, Member, Planning Commission of India. "The vision of Trans-Asian Rail Links should become a reality", said Professor Hoda, in his inaugural speech. He talked at length of the emerging globalisation of the world economy wherein the role of the

governments was changing as enabler and facilitator. This warranted a competitive environment. "The Railways of the BIMSTEC countries should take advantage of the worldwide revival of railways as energy efficient, eco-friendly and cost-effective bulk transportation system to integrate themselves for social and economic prosperity of the people," he emphasised.

The Chairman Railway Board Shri R.K. Singh, who led the Indian Delegation in the BIMSTEC conference, in his welcome address gave an overview of Indian Railways and offered full cooperation for integration of railways of the member countries to achieve the vision for Trans-Asian Rail Links.

The BIMSTEC meeting was hosted jointly by the Ministry of Railways and Asian Institute of Transport. The BIMSTEC includes India, Thailand, Sri Lanka, Myanmar, Nepal, Bhutan and Bangladesh.

(Source: Press and Information Bureau of India, Press Release, September 20, 2004) ■

Asian Political Parties to Strengthen Cooperation

The third International Conference of Asian Political Parties (ICAPP) was held in Beijing from September 3-5, 2004. Delegates from over 80 political parties or organizations from 35 countries attended the three-day conference. With the theme of "Exchanges, Cooperation and Development", the participants exchanged views on regional security and multilateral cooperation, economic growth and social progress and political party building and national development, and reached consensus on wide-range of issues.

The delegates, at the conclusion, of the conference adopted the "Beijing Declaration", which encapsulated the areas of cooperation discussed under the aegis of the conference.

The Declaration focused on a number of issues. All agreed it that cooperation in Asia is not exclusive, nor is it directed at any third party. Asia should develop itself by opening up to the whole world and advance through contacts all over the world.

The Beijing Declaration pointed out at Asia as one of the most vigorously developing regions in the world and one of the most

important areas for trade growth. The delegates expressed great confidence in the development potential of the Asian economy. At the same time they recognised that the world's globalisation trend has brought about opportunities and challenges to every country and the people. Thus they encouraged Asian countries to take advantage of their opportunities by strengthening their cooperation, overcome their difficulties by recognising that they are all in the same boat, and thrive in the face of fierce global competition by working together to make themselves stronger. Pointing out that it was the sacred obligation of all countries and political parties as well as the international community to eliminate poverty and achieve prosperity, the Declaration urged governments of all countries to draw up anti-poverty strategies, reinforce international cooperation and implement diversified measures to alleviate poverty in an effort to create a better world of common prosperity without destitution.

The delegates concentrated at length on energy issues. They agreed that energy concerns are

central to the economic security and sustainable development of all countries, and the safety of energy resources is a problem facing the entire international community. Suggesting that the cooperation in energy sector can become an important component of Asian regional cooperation, the Declaration recommended that the countries in the region should expand dialogue and cooperation on the basis of the principles of mutual benefits and win-win solutions and jointly promote sustainable development in Asia.

The delegates also agreed that all the Asian countries should choose their own development path and development model in accordance with local conditions, strengthen coordination, exchanges and cooperation in the areas of economic and social development, and work to create an environment beneficial for development. "They should work together to develop a new concept of development, explore new ways of thinking about development, expand the connotation of development, and work hard to promote coordinated and sustainable economic and social

development, urban and rural development, and development of both human beings and nature throughout the region", the Declaration said.

The declaration also suggested the Asian countries to take advantage of the favourable opportunities in the region that arise from the overall political stability, the continual economic growth and the deepening regional cooperation to increase economic cooperation, progressively open up markets to each other, resolve trade disputes through negotiation and promote the sound development of a multilateral trade system.

(Source: The Beijing Declaration text, Third Asian Political Parties' Conference, September 3-5, 2004) ■

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women commercialism such as domestic violence, prostitution, slavery, children and women trafficking.

Speaking on the occasion, Jose Vanecia, the speaker of the Parliament of Philippines proposed the creation of an Asian Parliament. "Such an assembly of parliaments-on the model of European, Latin American and African parliaments already established- should lead us to our ultimate vision of an enduring Asian peace", he said.

He further pointed that the European Union- which is our closest model- was not built in a single day but through a series of practical achievements that first "create a sense of common purpose".

Asian integration could also be achieved through a series of practical achievements, he pointed. He suggested one such initiative of the Asian Anti Poverty Fund, which could help in the beginnings of a new Asian middle class out of small entrepreneurs in the rural and urban slums of Asian countries, backed by micro-finance credits.

The fifth AAPP General Assembly, which would take concentrate on the areas chalked out by the Executive Council Meeting, will be held in November in Pakistan.

(Source: House of Representatives, The Philippines, Press Release, July 5, 2004 and AAPP Announcement, July 7, 2004) ■

Integration Promotes FDI in Asia

The *World Investment Report 2004* predicts a further rise in foreign direct investment flows to Asia and the Pacific. "Regional integration is encouraging intra-regional investment", highlights, the latest UNCTAD report.

FDI flows to Asia and the Pacific rose from \$94 billion in 2002 to \$107 billion last year, ending the downturn that began in 2001

China and India are joining Malaysia, the Republic of Korea, Singapore and Taiwan Province of China as sources of FDI. An improving global economic situation, a healthier outlook for key industries, subregional and regional developments and country-specific factors support this optimism. FDI in manufacturing should increase with improved world demand and growth of industrial activities in such areas as electronics and automobiles. In

particular, prospects for China, India and Thailand were considered bright.

The UNCTAD report was received with warm enthusiasm in India and China, as reported by the leading financial dailies of the region. *The Economic Times*, India, highlighted on India being ranked among the top four Asian investment spots. "This could help FDI flows into India which has acquired a strong services sector base", the paper said. *The Business Line*, India highlighted that India's membership in various regional integration arrangements such as BIMSTEC (Bangladesh-India-Myanmar-Sri Lanka-Thailand Economic Cooperation), South Asia Free Trade Area, Indian Ocean Rim Association for Regional Cooperation and FTAs with Sri Lanka and ASEAN would provide Indian firms with a favourable

platform to beef up their presence in these partner countries.

Xinhua, China, stressed on the fact intra-regional investment is growing, partly because of the shift of production from higher to lower-cost locations within the region. "Regional integration arrangements also influenced investment within these sub regions and accelerated the process of knitting the region into more widespread production networks" the news agency reported, quoting from the UNCTAD Report. *The China Daily*, while appreciating China's rank as the top most FDI invitation, suggested a further fine-tuning of the FDI strategies in China. The paper highlighted the need for deepening of Asian Production integration to avoid competition with in the region.

(Source: UNCTAD, Press Release, September 22, 2004) ■

Japan, China and India Should Lead Asian Community

Bambang Harymurti,
Editor in Chief, *Tempo*, Indonesia

The reason we need an Asian Community is that there is a NAFTA and there is an EU and we don't want to be seen as any less. As to why it's important, it's because it's about our identity. As to whether it's possible, the strategic point is how to make China, Japan, and India into locomotives that will bring us prosperity instead of three countries competing with one another and causing us loss. How do we align them so that we don't have one or two countries dominating, as with the US and NAFTA, and Germany and France in EU? May be there will be three, China, Japan and India, as equal but different leaders. Those three countries are going to be the locomotives of Asia, and along as those three locomotives are going in the same direction, it going to be to our advantage. The moment they begin going in different directions, something has to be done about it. I think Japan can be the bridge between India and China because there is no other country that can play that role.

Instead of thinking nationally, a common strategy is more important. Because of NAFTA and its immigration policy, America has a steady supply of cheap labour. Europe, with Eastern Europe joining the EU, also has a steady supply of cheap labour. Japan is in need of labour not only from ASEAN but also from China and India. So instead of pitting Japan against China, we should try to think how China and Japan could help each other to our benefit.

(Excerpted from the transcripts of roundtables on 'Japan's Role in an Asian Community', organised by the Sasakawa Peace Foundation (SPF), Available in latest *SPF Annual Report*.) © SPF.

Asian Community: The Drivers

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When people talk about Asia, some are referring to only countries of ASEAN, while others are talking about North Asia, or ASEAN plus 3 or South Asia. I think there is need to talk about the position of China and India with an Asian Community. I also feel the need to discuss Japan's role in an Asian Community.

Japan always tries to keep a low profile and often works with United States as a proxy for it. Also, Japan has a very treaty oriented way of thinking. And there is the view that all treaties have to be logically justified as well as interlinked. ASEAN's approach, by contrast, is very strategic. Now ASEAN's strategic thinking and Japan's treaty oriented thinking are coming together. With the ASEAN-Japan Commemorative Summit Meeting last year, we stepped into a new era.

A major issue for Japan is how to dance with China. Dancing with China also means dancing with ASEAN and India. We need other partners, that is, ASEAN and India, in order to dance with China. That is the only way Japan can dance with China.

India never showed any serious interest in Southeast Asia until recently. But in the past 10 years situation has been changing gradually. Especially in the past 5 years there has been a new "Look East" policy in India. So ASEAN is in a position to invite India into the group.

Finally, when thinking about an Asian Community, we also need to consider the definition of ASEAN. ASEAN today is not the same ASEAN as 20 or even 10 years ago. Last year ASEAN adopted three community concepts: security, economy and culture. And there were some disagreements when the concepts were drawn up. Singapore proposed an economic community, and I think there was a opposition to Indonesia's proposal. So on the surface ASEAN may be united as a single Asian Community in Southeast Asia, but it not may be so in reality.

(Excerpted from the transcripts of roundtables on 'Japan's Role in an Asian Community', organised by the Sasakawa Peace Foundation (SPF), Available in latest *SPF Annual Report*.) © SPF.

India Would Add Sense of "Asianness" to Cooperation and Integration in Asia

Kavi Chongkittavorn, Executive Editor, *The Nation*, Thailand

Asia can be defined in whatever way it is comfortable. If Asia means East Asia, that is fine. And, if India joins, saying it is also a part of Asia, that is fine too. There is an advantage in using ASEAN for linking China, Japan and India, especially in the past few years. The main pillars are still China and Japan. Unless India becomes fully involved in economic cooperation and integration in Asia, the sense of "Asianness" will not come. However, India will become a

part of Asia only when it is ready to do so, not when the rest of Asia is ready to have it become a part of Asia.

Asia shouldn't be simply defined in terms of geographical location, but on account of how a nation is cooperating and interacting with other nations in the region. India feels much more East Asian because of its cultural influence and aspirations in the ASEAN region than, for example, Mongolia.

Japan is the richest and most advanced country in Asia, but it has been driven away from ASEAN. To bring back Japan to ASEAN, Japan must stop wandering around and get a clear vision of itself and its own future role. To that end, consultation with ASEAN countries and other countries is crucial. Japan has much better resources and can dance with India and ASEAN, because both countries are democratic. It is a good foundation to work from.

An Asian Community is very important. It means that China, Japan and other Asian countries are in full cooperative mode in providing an economic engine and also a base for security.

(Excerpted from the transcripts of roundtables on 'Japan's Role in an Asian Community', organised by the Sasakawa Peace Foundation (SPF), Available in latest *SPF Annual Report*.) © SPF.

Bilateral Processes Should be Supplemented with a Region Wide Approach in Asia

Keizo Takemi, Member, House of Councillors, National Diet, Japan

I am in favour of an Asian Economic Community, but my honest feeling is that the conditions aren't ripe yet.

Take economic policy; right now all Asian countries are trying to conclude bilateral trade agreements (FTA) or trade agreements with a specific region. For example the Japanese government is negotiating an FTA with South Korea, but China also wants to begin negotiating an FTA with South Korea. In doing so, China will lean on South Korea to negotiate with China first and then take it time negotiating with Japan. Properly speaking, instead of asserting that Japan or China should be first; both countries, while continuing bilateral negotiations should think of this process as a part of putting in place the conditions for a new free trade agreement for Asia as a whole.

Secondly when we think of an Asian community, we see the necessity of creating a climate conducive to an intellectual and

cultural community. Any idea of an Asian Community that doesn't feature intellectual and cultural diplomacy will be a defective product.

Also, there are a number of issues between China and Japan. The first is security. The Korean Peninsula next door to Japan is divided, and there's a divide across the Taiwan Strait too. These are major issues Japan needs to address when thinking about how to deal with China.

The second issue is of economic relations. Without cooperation between Japan and China sustained economic growth for Asia as a whole is impossible. Creation of a regional framework combining China's huge market and Japan's capital and technology depends on whether China and Japan can agree on a shared economic policy.

The third issue is China's political system. China will need to pursue political reform and take initiatives to establish a system enabling democratic values. The question is what can Japan do to facilitate that.

The fourth question is cultural diplomacy. The extent, to which the younger generation in Japan and China can develop a shared sensibility and sense of community including the problem of historical perceptions, is a matter of cultural diplomacy.

Finally, when we think about the framework of the Asia-Pacific region as a whole, we see that India has a geopolitical essential presence. There are many strategic interests shared between Japan and India. Japan and China are alike in having a certain wariness of China. From the viewpoint of maintaining a balance in the region as a whole, one of the major partners in fashioning that is India.

The key to Japan-India association would be a stronger economic partnership and a new framework of security cooperation. There should be regular ministerial level security dialogue. India should also be incorporated in a new regional economic partnership as proposed by Prime Minister Koizumi. When ASEAN plus 3 was created, the ASEAN countries kept India at arm's length because there was no economic merit in associating with India. But now economic relations between India and Southeast Asia, including the value of trade are growing rapidly. Singapore is playing a key role in opening the door to greater Indian involvement.

(Excerpted from the transcripts of roundtables on 'Japan's Role in an Asian Community', organised by the Sasakawa Peace Foundation (SPF), Available in latest *SPF Annual Report*.) © SPF.

Reviving the Idea for An Asian Community

George Sioris, President Emeritus, Asiatic Society of Japan

The Malaysian idea of an East Asian Economic Caucus (EAEC) stirred considerable interest and discussions about a decade ago, but didn't get off the ground because of American opposition and other factors. Now, with further consolidation of U.S. and European groupings, the embryonic idea of a similar Asian formation appears to have gained momentum.

The area of "East Asia" comprises nine dominant languages, four religions, 13 national identities and several ethnic groups. Thus the mosaic of such diversities must be viewed positively for the vision to translate into reality. Is such a "blending of cultures" really possible? Before such questions are answered, more imminent issues should be examined:

First, there should be harmony in leadership between the two driving forces of the exercise, China and Japan.

Second, various other pre-existing formations should be brought to a flexible coexistence with the future community. So far, we have a multitude of parallel mechanisms: the 10-member Association of Southeast Asian Nations, ASEAN-Plus-Three (China, Japan and South Korea), the Asia-Pacific Economic Cooperation forum, the ASEAN Regional Security forum.

Indeed, this kind of "overlap" has been perceived for quite some time as a major hurdle. Duplication of efforts conduces to confusion and dilutes the attention of the public.

Third, I, for one, feel rather disturbed by suggestions to broaden the geographical parameters of this future community to Siberia and Oceania. By voicing reserve, I am not all-out negative: What I feel, though, is that a concise and accurate definition of what we mean when talking about "East Asia" is paramount before embarking on further ambitious projects.

Siberia will ultimately be drawn into closer cooperation with Northeast Asia, while Oceania's case depends on its convincing Asians beforehand of its Asian orientation. Such expansion would be fine, but then what of India? How could we exclude this Asian giant on the technicality that it lies in South, and not East, Asia? Would it be better therefore if we spoke of an "Asian community" in general, leaving aside "East"?

After all, China, Japan, Korea are parts of what we call Northeast Asia and less of "East Asia." This may lean too much on semantics, but unfortunately semantics are important at the start of as great an adventure as the contemplated exercise. If all agree on what the best "umbrella" is, then talks about "enlargement" could prove easier and answers more natural.

(Excerpted from *The Japan Times*, September 12, 2004)
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Is An Asian Union Possible?

M V Kamath, Chief, Prasar Bharti, India

At a function at Rashtrapathi Bhavan where he presented the Jawaharlal Nehru Award for International Understanding to Singapore's Prime Minister Goh Chok Tong, President A P J Abdul Kalam made a pregnant statement that 'Asian nations can work together for a peaceful, prosperous and safe region which can also spread elsewhere'. He further elaborated his concept by saying that 'an Asian Union can be achieved by using the core competences of the Asian nations as a base and the mission of transforming the developing nations of the region into developed countries'. The idea of an Asian Union similar to a European Union is beguiling; it is certainly revolutionary.

The question is: can that miracle be enacted in Asia? Consider some of the deterrents. Asia is much, much larger than Europe. Asia is multi-lingual, multi-ethnic, multi-religious and in many ways multi-cultural. For all the wars that European nations fought over the centuries they had access to each other. In what way have India and North Korea interacted? Or, for that matter, Pakistan and Vietnam? India has fought three wars with Pakistan. China has been at odds with Japan. Vietnam with China. Wars between Asian countries have been few and far between. Many have undergone suppression under colonial governments and most have been members of the Non-Aligned Movement.

For all their assumed differences, the Asian members of the Non-Aligned Movement have known the meaning of collaboration. It is a known fact that the Commonwealth of Independent States (CIS) in Central Asia have had the friendliest dealings with India and many of the South-East Asian countries have also had considerable experience in regional cooperation as in SAARC. And while

administrative systems might be varied, that has not come in the way of trade and commerce. And with steadily increasing globalisation international unity cannot be considered as an impossibility. The era of inter-communication on a massive scale had begun over a decade ago and keeps growing. Perhaps, to begin with, we can have an Asian Nations Organisation (ANO) on lines similar to the United Nations.

An Asian Nations Organisation with a clear conceptual basis could work wonders. Nations can work towards a common currency. Remember time was when Aden, Pakistan, India, Burma and Sri Lanka, all under the British, had Rupee as a common currency. The political seed that President Kalam has unconsciously or consciously, sown, needs to be watered and nurtured. All great institutions start as one man's dream. Jean Monnet began the European Coal and Steel Community which today has become the European Union. An Asian Union is not only possible, it may soon become a necessity. What Europe has done, Asia can.

(Excerpted from the *News Today Net*, August 16, 2004)
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Asia Needs A bonding Experience, And Fast

William Pesek Jr.

With high hopes and good intentions, Asia devised a plan a few years back for a regional bond market. Sadly, it's not even close to being realised.

Well-functioning bond markets linked together would allow Asia to keep more of its vast household savings at home, as opposed to watching it flow to the West. They would lower borrowing costs and offer more creative financing. Also, selling more debt in local currencies could shield Asia from problems on the other side of the globe.

What's the holdup? While not hopeless, a regional bond market in Asian enterprise seems to have too many problems to count.

Obstacles to a regional bond market include: The small size of public debt markets in Asia; the failure of countries to follow international accounting standards and the slow development of private debt markets; corruption and unreliable securities market regulation; and a legacy of capital of controls.

While most of these challenges are faced by developing nations everywhere, a mix of macro-economic conditions that impede or in some cases support the move to an Asian bond market has a particular regional quality. On the one hand, Asia's strong fiscal balance sheets,

admirable on some grounds, reduces the need for governments to borrow. On the other, the stability of currency rates, many of which trade within a narrow range to the dollar, is encouraging bond market development.

When officials gather at the occasional economic summit, for example, discussions tend to focus on public debt arenas. Not enough energy goes into promoting markets for corporate, asset-backed, mortgage-backed or tax-exempt securities. Even in the best-case scenario, these kinds of non-government debt markets seem a long way off.

A change in that direction would go a long way toward luring more foreign capital Asia's way. The region could avoid sending most of its savings to the United States, where it helps rich Americans finance their way of life. Asia's vast purchases of U.S. Treasuries make the record U.S. current-account deficit manageable. Yet Asia would be better served if that money were invested here.

Changes in this direction may also pave the way for a euro-like single currency. A single Asian monetary unit could eliminate the exchange-rate swings that can retard growth and scare away investors. It would lead to greater economic convergence, bringing borrowing costs, fiscal policies and inflation trends more into line with one another. And it would counter competition from the U.S. and Europe.

An Asian bond market is the next big step in the direction of self-reliance and regional integration that economies in the West have pursued for years. Now it's Asia's turn.

(Excerpted from *Bloomberg News*, August 27, 2004)
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Asian Currency Zone Beckons

Mamoru Ishida, Guest Fellow,
Institute of Asia-Pacific Studies,
Zhengzhou University, China

There is no doubt that the stable renminbi (RMB) exchange rate, pegged at about 8.25 yuan to the U.S. dollar, has helped China's economic development. However, the sharp increase in exports to the United States has prompted America to pressure China to revalue the RMB.

China could peg the RMB to a basket comprising the dollar, yen and euro. Some members of the Association of Southeast Asian Nations have already pegged their currencies to their own baskets including the yen and euro. If China and ASEAN countries move to a common basket regime,

a certain portion of their foreign exchange reserves now invested mostly in dollar assets would shift to yen and euro assets leading to a major change in the U.S. economy.

Depending on the magnitude of such a shift, the supply of capital to finance U.S. current-account deficits would be reduced. That could signal the beginning of the U.S. becoming an ordinary country that cannot enjoy both economic prosperity and military power by piling up foreign liabilities.

Growing Asia would be the only realistic candidate to take over the role of the world's growth engine. Asia would have to depend less on exports to the U.S. and more on regional economic activities. A currency system to reduce exchange risks in trade and investment within Asia would be indispensable. China and ASEAN countries could mark the first step in forming such a system by adopting a joint currency basket.

Asia is practically a dollar zone now, as most Asian countries peg their currencies mainly to the dollar. Japanese companies take yen-to-dollar exchange risks even in trade with Asian countries. They would welcome an Asian currency zone that would result in a more mild fluctuation vis-a-vis the yen. In 1998, then-Finance Minister Kiichi Miyazawa recommended a basket currency regime to Asian countries. It is natural for Japan to participate. If an unprepared Japan faces the sharp fall of the dollar predicted by Stephen Roach, it will risk experiencing another lost decade.

Asian political leaders and monetary authorities are speaking frequently of an Asian common currency. Malaysian Prime Minister Ahmad Badawi said in Tokyo that East Asian integration was not a wish but a reality, and that it was not premature to start studying regional currency integration.

Yu Yongding, director of the Institute of World Economics and Politics at the Chinese Academy of Social Sciences, told a finance ministry's meeting in Tokyo that the three major international currencies in the future would be the dollar, euro and an Asian common currency, and urged China and its neighbours to cooperate to realise it. Officials of The People's Bank of China surprised visiting Japanese politicians by proposing a joint study of an Asian common currency. Obviously, Japan is not prepared.

Suppose an Asian currency zone with China but without Japan was formed. Its economic size would overwhelm Japan in time. According to the CIA's Global Trend, Japan's gross domestic product in 2015,

measured by purchasing power parity, will be \$4.5 trillion against China's \$12 trillion.

It is time for Japan to decide how to live in the community of Asian nations and how to participate in forming an Asian currency zone.

(Excerpted from *The Japan Times*, August 10, 2004)
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Asia Flexes its Free Trade

Muscles

Tim Shorrocks

Led by Japan and China, the disparate nations of East Asia are in the midst of a free trade revival that could create one of the world's largest economic blocs. Japan and South Korea are negotiating a bilateral free-trade agreement (FTA) by December 2005. Japan signed an FTA with Singapore in 2002 and is negotiating similar bilateral deals with Malaysia, Thailand and the Philippines. China and the 10-member Association of Southeast Asian Nations (ASEAN) recently concluded talks on which products should be included in a proposed free trade zone scheduled to be completed by 2010.

Meanwhile, Malaysian Prime Minister Abdullah Ahmad Badawi floated a proposal for an Asian inter-regional trading group similar to the European Union (EU) as well as for a regional monetary fund. These moves toward regionalism in Asia are partly a reaction to the economic cohesion in Europe and North America created by the EU and the North American Free Trade Agreement (NAFTA), which will soon expand to include Central America. At the same time, they reflect a general sense that the region was left to fend for itself by the IMF and the World Bank after the Asian financial crisis of the late 1990s.

The "centrifugal forces" behind free trade are very strong, and Asia is already experiencing "the fruits" of regional cooperation. Under the "ASEAN-plus-three" structure. Asian countries recently launched an Asian Bond Market Initiative and an Asian Bond Fund so local governments will have access to capital during a future financial emergency.

In addition, intra-regional trade now encompasses 45 per cent of the area's total trade and Japan's trade with East Asia is increasing as its trade with the United States slows. For Asian regionalism to work, Japan must take a strong lead and convince the US that the process is not aimed at reducing US influence. Discussions of FTAs in Asia often

overlook the fact that China and its Asian competitors continue to view the United States as their primary market. The main element of the Asian model is that it relies very heavily for growth on net exports to the United States. Much of China's growth in recent years is due to heavy investments in Chinese manufacturing and high-tech industries by US multinational corporations that use China as an export platform to ship products back to their home market.

The end result is, trade flows, and [it's] more lopsided and Asia's dependence on the United States as a final consumption market continues to grow. Asian countries have yet to find a driving force for regionalism. We don't have an agreed upon engine for Asian transformation.

(Excerpted from *The Financial Express*, Bangladesh, July 3, 2004)

© *The Financial Express*.

East Asian Community Gaining Momentum

Richard McGregor, David Ivison and Shawn Donnan

When Mahathir Mohamad first proposed his controversial idea of an "east Asia" caucus of regional leaders in the early 1990s, the then Malaysian leader's prickly advocacy put many potential participants off. But the Mahathir plan is back on the agenda - only this time in a kinder, gentler form as an "east Asian community" (EAC).

The plan to institutionalise east Asia summits was discussed in Jakarta, the Indonesian capital, during ministerial-level meetings last month and will be on the table when Laos hosts east Asian leaders at a meeting in November. That meeting in Vientiane, capital of Laos, will be under the banner of "ASEAN plus three".

China and Japan are backing the EAC, as is Malaysia, which has offered to host the first meeting in 2005. Indonesia and Vietnam, among other ASEAN countries, have yet to sign on to the EAC plan, which they feel could relegate their influence and subject regional forums to eventual dominance by China.

But the idea is gathering momentum, driven mostly by the rise of China. Japanese officials, too, express frustration at the limits of the "ASEAN plus three" forum, which they say has not been able to grapple with important regional disputes.

Although Beijing wants countries such as Malaysia to make the running on the EAC,

China is pushing the process behind the scenes, say analysts and diplomats.

The agenda could provide a forum for breathing new life into a plan to establish a free-trade area between China and ASEAN by 2010. The best progress, is in fact now being made with the Indians with whom ASEAN agreed last year to establish an "Indo-ASEAN" free trade zone by 2012.

(Excerpted from *The Financial Times*, August 5, 2004)
© *The Financial Times*.

Need to Deepen Asian Production Integration

Zhang Yong, Consultant, UNCTAD

China needs to make more efforts to deepen Asian production integration, which is critically transforming FDI structure in the region. It is inevitable that a country crowds out the FDI of other countries if countries compete for FDI of the same nature. For instance, if China and India both struggle to obtain FDI in clothing from Italy, they will be engaged in competitive relations.

To curb this vicious competition and fully utilise the benefits of regional integration, China and other Asian countries might want to proceed to encourage a division of labour among themselves.

The ASEAN Investment Framework encourages Japanese companies to build regional production networks, with individual member states playing different roles at different stages of production. This may increase the economies of scale and create regional competitiveness. Similar initiatives should be actively pursued on a wider regional scale. In doing so, individual Asian countries and cities may concentrate on nurturing specific advantages and encouraging bilateral investments. For instance, Hong Kong, Singapore and Shanghai along with Tokyo may become the financial centres of the region. Production bases of clothes, textiles and toys can be established in China and India, as can software development. Electronic parts and components can be produced in Thailand, Malaysia and Singapore. Electronic assembling and telecommunication equipment can go mainly to China and Indonesia. Plants of different models of cars can be spread around Thailand, the Republic of Korea and China. The countries in the region can deepen their co-operation in information technology infrastructure as well as research and development.

(Excerpted from *China Daily*, September 27, 2004)
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ASEAN-India Vision 2020: Working Together for a Shared Prosperity

RIS, New Delhi, 2004.
ISBN: 81-7222-092-4

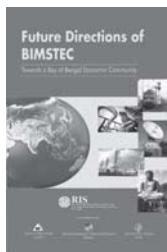
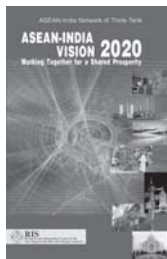
This Vision 2020 of ASEAN-India Partnership proposes a long-term strategic roadmap that will enable them to exploit the synergies to foster a comity of nations integrated at the commercial, cultural, political, and social spheres and to achieve their respective long-term developmental goals. Given the complementarities between ASEAN and India, a greater integration will help them join the ranks of developed economies. It will also enable them to address the common challenges to comprehensive security. The eventual vision of the ASEAN-India Partnership is to promote Asian economic integration as a new engine of growth along with other East Asian countries (Japan, China and Korea).

This document has been prepared as per the mandate of the Second ASEAN-India Summit held in Bali in October 2003 which called for the preparation of a long-term roadmap for the growing ASEAN-India partnership prepared by the think tanks of the region. It represents the outcome of wide-ranging consultations with in India and between RIS and ASEAN-ISIS and other think tanks in ASEAN.

Future Directions of BIMSTEC: Towards a Bay of Bengal Economic Community

RIS, New Delhi, 2004.
ISBN: 81-7122-093-2

This report prepared by RIS as mandated by the BIMSTEC Ministerial Meeting, puts forward a road map for the future of BIMSTEC as a regional grouping. Prepared in consultation with the Think Tanks of Bangladesh, Sri Lanka and Thailand, this Report makes a case for formation of Bay of Bengal Economic Community by 2020 for exploiting the full potential of economic integration in the region. It also makes a case for setting up an Energy Community and also presents several proposals for promoting mutual cooperation in transport infrastructure, tourism, food processing,



fisheries, among other sectors and for dealing with the digital divide.

Contemporary Southeast Asia: Regional Dynamics, National Differences

Editor- Mark Beeson
Palgrave Macmillan, New York, 2004.
ISBN: 1-4039-3475-4 (HB)
ISBN: 1-4039-3476-2 (PB)

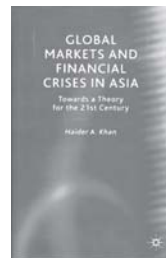
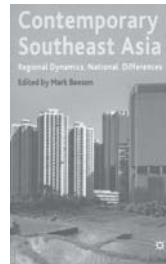
Southeast Asia is one of the world's most diverse and complex regions and for decades inspired hope about the possibility of successful economic growth and political reform in the developing world. Yet the economic crisis of the late 1990s, coupled with its position on the frontline of the 'war on terror', forced a major rethink about its future. This major new text examines the contemporary forces and dynamics that are shaping the region at both national and international levels.

Contemporary Southeast Asia brings together specially commissioned chapters by leading area specialists. Rigorously edited to ensure systematic coverage, it provides an accessible and up-to-date thematically structured comparative introduction to Southeast Asia.

Global Markets and Financial Crises in Asia: Towards a Theory for the 21st Century

Haider A. Khan
Palgrave Macmillan, New York, 2004.
ISBN: 0-333-76076-X

This book presents a new theory of financial crises in the age of globalisation from an evolutionary perspective and suggests policies that may be necessary for averting or managing new financial crises. Starting with the Asian financial crises, the author identifies new types of financial crises that result from a combination of liberalisation, weak domestic institutions for economic governance and a chaotic global market system without global governance institutions. Suggested solutions involve building new institutions (a regional financial architecture) or global and domestic governance and domestic and international policy reforms.



Comparative Regional Integration: Theoretical Perspectives

Editor – Finn Laursen
Ashgate, Hampshire, 2003.
ISBN: 0-7546-3261-X (HB)
ISBN: 0-7546-4086-8 (PB)

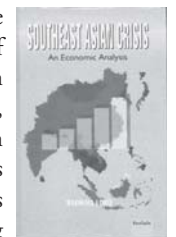
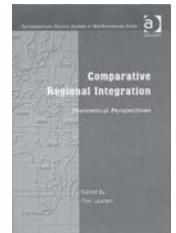
By contrasting different theoretical perspectives on regional integration, this valuable text advances our understanding of this important phenomenon in international relations. The volume contains theoretical considerations with empirical studies of integration efforts in parts of the world including Asia, Africa, Europe and Latin America.

Structure in four strong sections: governmentalist perspectives; power perspectives; constructivist perspectives; and neo functionalist and historical institutionalist perspectives, the book appeals to theorists, policy makers, students and other readers concerned about world developments. It will also serve a place on courses covering international political economy, international relations and regional integration, both at under graduate and graduate levels.

Southeast Asian Crisis: An Economic Analysis

Radhika Lobo
Serial Publications, New Delhi, 2004.
ISBN: 81-86771-33-2

This book traces the development experience of the Southeast Asian countries of Indonesia, Malaysia and Thailand in the pre and post Asian crisis period detailing the lessons from that developing countries like India can draw from the same.



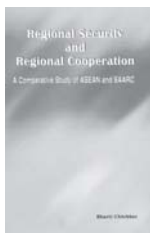
Regional Security and Regional Cooperation: A Comparative Study of ASEAN and SAARC

Bharti Chibber
New Century Publications,
New Delhi, 2004.

ISBN: 81-7708-072-5

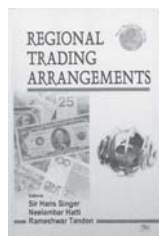
This book describes and examines issues in regional security and regional cooperation and their interrelationships both in theory and practice, through a comparative study of ASEAN and SAARC. Taking a

comprehensive view of security, it analyses how ASEAN and SAARC have contributed to regional security in Southeast and South Asia, Intra-regional relationships among the member countries have been examined within the broad parameters of the changing international scenario.



Regional Trading Arrangements

Editors – Sir Hans Singer, Neelambar Hatti, Rameshwar Tandon
B.R Publishing Corp, Delhi, 2003.
ISBN: 81-7646-372-8



This volume, which consists of three parts, brings together recent work relating to the following issues of regional trading arrangements. Regionalism Versus Multilateralism; Regionalism and Trade Protection; Regional Trading Arrangements and the Outsiders; Political Economic Analysis of RTAs; European Union and the Americas; New Regionalism and Mercosur; “Asian Open Regionalism” Versus the RTAs; The APEC and Europe; ASEAN, NAFTA and Japanese Diplomacy and Globalisation Versus Agglomeration

Japan’s Role in Asia: Mutual Development or Ruthless Competition

Lim Hua Sing, Eastern Universities Press, Fourth Edition, Singapore, 2003.

The book examines the dynamics of relationship between Japan and Asia, in particular: Malaysia, Singapore, ASEAN, NIEs, China, Asian and ethnic Chinese economies and Asia’s economic performance and revitalisation. The influence and development of Japan in the economic development of these countries is examined, especially with regard to Investment, Trade Frictions, Official Development Assistance, Non-Tariff Barriers, technology Transfer and Managerial Know-how and Free Trade Areas (FTAs) and regional economic integration. As the major economic player in the region, Japan will determine whether her role in Asia will foster mutual development and prosperity or ruthless competition, underdevelopment and distrust.



The fourth expanded edition also discusses the Asian Financial crisis and recovery in the light of the region’s revitalisation. Japan’s approach towards ethnic Chinese economies in Asia, China’s rapid development and Asia’s economic integration through establishing FTAs.

India-ASEAN Cooperation in Information and Communication Technologies: Issues and Prospects

by K.J. Joseph & Govindan Parayil, 2004
RIS Discussion Paper, No. 70, 2004

Against the backdrop of India-ASEAN cooperation since the early 1990s, and the recent initiatives towards taking the partnership to new heights, the present paper examines India-ASEAN cooperation in IT during the recent past and highlights the prospects for the future. It has been argued that India-ASEAN cooperation could be instrumental in addressing the ASEAN divide – the development gap between old and new ASEAN countries. For India, it could help diversifying its software export markets on the one hand and facilitate reviving its lagging hardware sector. Also, an exploitation of the synergies between India’s software capability and the hardware capability of old ASEAN could facilitate enhancing the IT capability in Asia as a whole – a prerequisite for making 21st century Asia’s century. While, a good beginning has been made at the instance of Governments and private sector, the paper calls for hastening the process and highlights certain specific areas for focused actions.

Monetary Cooperation in South Asia: Potential and Prospects

by Sweta Chaman Saxena and Mirza Allim Baig, 2004

RIS Discussion Paper, No. 71, 2004
This paper examines the potential and prospects of monetary cooperation in South Asia. A close appraisal of optimum currency area criteria, macroeconomic convergence criteria, and geo-political factors suggests that there are huge potential and growing prospects for monetary cooperation in the region. The study recognises that monetary cooperation is essential for growth and prosperity in the region, but a lot more needs to be done to achieve the goal of monetary and economic union. The paper suggests road map on the way to the full form of monetary cooperation in the region.

ASEAN-India Economic Relations: Current Status and Future Prospects

by Rahul Sen, Mukul G. Asher and Ramkishan S. Rajan

RIS Discussion Paper, No. 73, 2004

This paper analyses recent trends in merchandise trade, services, investments, and manpower flows between India and ASEAN, and assesses future prospects for economic cooperation. Since India’s Look-East policy initiated in the early 1990s, there has been steady progress in economic cooperation and supporting institutional structures between India and ASEAN. There has also been a welcome diversification of India’s trade with ASEAN both in terms of the share of individual members in total trade, and goods and services being traded. The analysis in the paper is consistent with the view that India’s economic structure is largely complementary to ASEAN economies, and therefore there are significant opportunities for mutual gain. In Indian policy and business circles, ASEAN continues to be regarded as an economically important region. The paper however argues that a mindset change is needed among ASEAN policy makers and businesses before potential for mutual gains can be fully tapped. The paper concludes with specific suggestions for expanding cooperation between India and ASEAN countries.

Transaction Costs as Barriers to Economic Integration in Asia: An Empirical Exploration

by Prabir De

RIS Discussion Paper, No. 77, 2004

Recent literature has emphasised the importance of transaction costs and infrastructure in explaining trade, access to markets, and regional cooperation under globalisation. For most Asian countries, transaction cost works as a strong barrier to trade integration than import tariff. By estimating a structural model of economic geography using cross-country data on income, infrastructure, transaction costs and trade of selected Asian economies, this paper provides evidence that transaction cost is statistically significant and important in explaining variation in trade in Asia. In addition, the study also finds that port efficiency and infrastructure quality are two important determinants of transaction costs.

RESOURCES

Towards Formation of Close Economic Cooperation among Asian Countries

by S K Mohanty, Sanjib Pohit, and Saikat Sinha Roy

RIS Discussion Paper, No. 78, 2004

There have been several attempts in the past for the formation of an Asian Economic Community (AEC) with a view to enhance continental welfare within stipulated time frame. The formation of a Close Economic Relation (CER) among some of the vibrant economies of the region, particularly JACIK Member countries (ASEAN plus three plus one) would be of immense importance in attaining such a goal. In this paper an effort has been made to examine the implication of CER on the region using monopolistic version of Computable General Equilibrium (CGE) for the JACIK countries. The model has been used to examine the implications of complete liberalisation of trade, investment and movement of natural persons. The results show that the proposed CER may enhance global welfare as well as welfare for individual countries in the caucus. Following formation of the proposed CER, the absolute increase in regional welfare may go beyond US\$ 210 billion per annum amounting to more than 3 per cent of the region's GNP. The implications of the CER on the regional economy would be favourable in improving production efficiency, expanding exports apart from increasing returns on capital and labour.

Complementarities and Potentials of Intra-regional Transfers of Investments, Technology and Skills in Asia

by Saikat Sinha Roy

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This paper examines complementarities in merchandise trade and potentials for intra-regional transfers of investments, technology and skills in Asia. The analysis shows that intra-regional trade was substantial and growing, but trade complementarities were limited. Asian countries have also emerged as sources of as well as destinations for investment, technology and skills. In the event of a formal regional integration arrangement in Asia, there is potential for intra-regional trade, investments, technology transfers and skill movements. Substantial gains in regional welfare are also expected.

Further Readings

- **Sino-Indian Ties Could Alter the Trade Balance**, Anna Greenspan, *The Strait Times*, Singapore, September 17, 2004
- **Intra-Asian Exchange Rates Viable**, *The Edge Daily*, Malaysia, September 15, 2004.
- **A Partnership in Review/Economic Gravity: Asian Union**, Manabu Hara, *The Asahi Shimbun*, Japan, September 6, 2004.
- **Monetary Tie-Ups Necessary to Avoid Trade Friction in Asia**, Anthony Rowley, *The Business Times*, Singapore, August 28, 2004.
- **Cooperation A Must in Region**, Kim Seok Hwan, *JoongAng Daily*, Korea, August 24, 2004
- **Eastern Comfort, Go for It**, G. Parthasarthy, *The Indian Express*, India, August 24, 2004.
- **When will China and Japan let History be History?** Goh Sui Noi, *The Strait Times*, Singapore August 16, 2004.
- **Cooperation Crucial for Asia's Growth**, *Xinhua Online*, China, August 11, 2004.
- **India Has Come Out of Its Shell and Looked East**, *The Nation*, Thailand, August 2, 2004
- **Engaging Asia and the World**, Kavi Chongkittavorn, *The Nation*, Thailand, July 30, 2004.
- **East Asia Community Concept Becoming Realistic Idea**, *Japan Today*, Japan, July 19, 2004.
- **China's 'Asia co-prosperity sphere'**, Sushil Seth, *The Taipei Times*, Taiwan, July 8, 2004.

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