

ECONOMIC COOPERATION, CONNECTIVITY AND INTEGRATION ARE THE CORNERSTONES OF SAARC

DR. MANMOHAN SINGH, HON'BLE PRIME MINISTER OF INDIA

FEATURE ARTICLE

South Asia has travelled a long distance in the twenty three years since SAARC was established. The winds of democracy and political change have swept across our region. Our people's aspirations, particularly of our youth, for a better life and for greater empowerment, are rising and rising very fast.

Since the inception of SAARC, with globalisation, South Asian economies are ever more inter-connected with their neighbours and with the world as a whole. It is however a fact that South Asia has not moved as fast as we all would have wished. We have only to see the rapid integration within ASEAN and its emergence as an important economic bloc in Asia to understand the opportunities that beckon us all.

The success and prosperity of each one of us provides opportunities to the others to promote their own success and prosperity. This mutuality of interests is the central driving force of regional cooperation everywhere.

Our aim should be to create virtuous cycles of growth in our region. A prosperous South Asia will also be a peaceful and stable South Asia. Realising this vision requires a change in our mindsets, and a new paradigm of creative thinking. We can and must do more to give meaning to the theme of this year's Summit: "Growth through Partnership."

South Asia clearly has the resources and the skills needed to meet the development challenges. Today, Asia has become the engine of growth of the world economy and South Asia is a part of this resurgence.

We have rich and varied experience in development, which we must pool together to create a model of inclusive and sustainable regional development. Economic cooperation, connectivity and integration will be the cornerstones of SAARC in the years ahead. We have already agreed to move towards a South Asian Customs Union and a South Asian Economic Union in a planned and phased manner.

The land for the establishment of the South Asian University in New Delhi has been acquired and a Project Office has been set up. When the University becomes operational in 2010, it would cater to 5000 students, and would be able to create a pool of world-class South Asians scientists, technologists and thinkers.

SAARC must make its voice heard in the councils of the world to ensure that there is an effective global response that protects the interests of oil consuming countries. All the leaders have emphasized the importance of physical connectivity. We should also pool our resources to tap renewable sources such as solar energy, hydro-power and wind energy, all of which South Asia has in abundance. The establishment of the SAARC Food Bank in 2007 was an extremely forward looking decision.

We in India are acutely conscious that we need a Second Green Revolution. The countries of South Asia need to work towards a collective response that leads to a quantum leap in agricultural productivity, food grain output and farm incomes so that the specter of food

shortages and hunger vanishes from our region. India will actively work with Member States for greater exchange of knowledge and experience on breeding livestock, improvement in yields of protein rich pulses and in adoption of modern post-harvest technologies.

We are inheritors and trustees of one of the most vulnerable eco-systems in the world. It is most encouraging that a SAARC Action Plan on Climate Change has been finalized, which recognizes that rapid development provides the best form of adaptation. India has recently launched a National Action Plan on Climate Change in which there are a number of areas where we need to cooperate with SAARC member countries such as in our mission on sustaining the Himalayan ecosystem, in our plans for protection of coastal areas, in disaster management strategies and programmes, early warning systems and collaborative research on climate modeling. SAARC already has projects on water harvesting and afforestation but we all need to do much more in these vital areas.

I am confident that we will continue to move these initiatives forward. In recent years, we have shifted our focus from declarations to action and implementation, and I am happy to note, that this has begun to show results. As we consolidate, prioritize and rationalize our activities, we will bring closer to the doorsteps of our people the benefits of SAARC.

(Excerpted from the Statement delivered at the Inaugural Session of the 15th SAARC Summit, 2 August 2008, Colombo).

FIRST SOUTH ASIA ECONOMIC SUMMIT DISCUSSES DEVELOPMENT ISSUES

The first South Asia Economic Summit was held in Colombo, as a follow up to the 15th SAARC Heads of State Summit, was jointly organised by the Institute of Policy Studies and the Federation of Chambers of Commerce and Industry of Sri Lanka in partnership with RIS, SACEPS, SAWTEE, World Bank, Commonwealth Secretariat, UNDP and ADB.

The conference had participation of senior high level academicians, private sector, civil societies and the policy makers of the SAARC member countries. The conference touched upon various wide ranging issues like poverty alleviation in South Asia, accelerating economic development, creation of jobs and promoting peace and stability in the region.

A concluding resolution which aimed at building regional capacity, deepening understanding of regional development issues, promotion of networking and

supporting the implementation of regional cooperation and development agenda between policy makers was signed by all the participants.

The Communique gave high priority to certain specific goals pertaining to Management of the current food crisis; Enhance intra-regional trade in goods and services; Improve connectivity, Transport and trade facilitation; Promote regional energy cooperation and trade; Improve regional ICT network, Facilitate regional remittance flows and management, Improve regional cooperation in disaster management and climate change and Promote cross-border flow of investments. It was agreed that the dialogue on regional cooperation would build on the solid foundations laid in this First South Asia Economic Summit with the follow up of annual events. As the next step, it was also agreed that next summit will be hosted by RIS in New Delhi, India in 2009.

(Source : www.ips.lk/saes).

GREATER INDIAN ACCESS TO JAPANESE AGRICULTURE MARKET

Shri Kamal Nath, Minister of Commerce and Industry has expressed hope that the Comprehensive Economic Partnership Agreement (CEPA) would lead to a comprehensive mutually advantageous agreement covering all the issues of trade in goods, services, investment and other areas of economic engagement. He also added that India's exports basket mainly consists of primary products while the Japanese exports are mostly of manufactured goods and electronic items. India can be an efficient supplier of a number of items such as fruits and vegetables and marine products which Japan already imports in large quantity.

While thanking the Japanese Government for allowing market access for Indian mangoes, he further stated that India would also highly appreciate Japanese willingness to open more and more of its services

sector, especially Mode-1 (cross-border trade) and Mode-4 (movement of natural persons). "Our areas of interest include professional and computer-related services, accounting, auditing, and book keeping services; architectural services; engineering services; medical and dental services; advertising services, and services for telecommunication and audio-visual communication," he added.

The total trade volume between India and Japan has touched 9.9 billion US\$ in the year 2007-08. This amounts to a growth of about 25 per cent over the trade volume achieved last year. The average growth rate in the last 4 years has been about 20 per cent. This is an improvement over the previous years, but it is still below the potential that exists for increased trade between the two countries.

(Excerpted from the Press Release, Ministry of Commerce and Industry, 4 August 2008).

INDIA MOVING FAST TO COMPLETE FTA TALKS WITH JAPAN AND SOUTH KOREA

After clinching a deal for an FTA with ASEAN, India would move fast to complete negotiations for pacts with Japan and South Korea that will open trade in goods as also services for Indian firms.

According to the Commerce Secretary G.K. Pillai, negotiations with Japan and South Korea could be completed fast as there were no apprehensions for India over Japan seeking large

access in agriculture sector. He elaborated that with Japan, the advantage is our agricultural sensitivities are not there. We are not worried that Japan would export rice or dairy products to India. He also pointed out that as far as the automobile sector are concerned, India enjoys a big cost advantage in manufacturing automobile.

Moreover, India is hoping that more Japanese invest-

ment will flow into the country through the trade agreement. The whole purpose of the FTA is that it would attract more Japanese investments into India, he said. The lucrative pharmaceutical market in Japan is also on India's radar. Japan imports pharmaceuticals of about US\$ 50 billion, of which India's share is only US\$ 200 million.

He also informed that

India can supply pharma products to them, as it will be an advantage if we get that market. With Daiichi Sankyo buying controlling stake in Ranbaxy, which gets bulk of its total revenue from exports, Japan should be interested in relaxing pharmaceutical imports from India, officials feel.

(Excerpted from *The Hindu*, 21 September 2008).
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ECONOMIC MINISTERS REVIEW COOPERATION IN EAST ASIA SUMMIT FRAMEWORK

The Economic Ministers of ASEAN, Australia, China, India, Japan, Korea and New Zealand had a productive exchange of views on the areas of cooperation within the East Asia Summit (EAS) framework. The Ministers welcomed the establishment of the Economic Research Institute for ASEAN and East Asia (ERIA) with the Inaugural Governing Board Meeting of ERIA held at the ASEAN Secretariat on 3 June 2008. The Ministers also welcomed the research activities of ERIA and looked forward to ERIA's practical policy recommendations for deepening economic integration, narrowing development gaps and

sustainable development.

In particular, the Ministers noted with appreciation the ERIA East Asia Industrial Corridor Project for the region-wide comprehensive development, affirming the importance of linking the infrastructure development and industrial development planning.

The Ministers noted the report of the Track Two Study Group on CEPEA, which shows greater potential trade and GDP growth if enhanced integration among EAS members is achieved.

An "ERIA" had now started functioning "to pave the way for future development." To address energy

security, three EAS "work streams" were now on course. Japan, Malaysia, and Thailand were co-leading studies on energy efficiency and conservation; the Philippines and India were piloting the evaluation of the bio-fuel sector; while Singapore and Australia were coordinating a study on the energy market integration within the EAS region. The EAS countries also agreed to work together to revive the historic Nalanda University to meet today's needs, the spokesman indicated.

(Excerpted from the Press Release, Ministry of Commerce and Industry, 28 August 2008, The Hindu, 23 July 2008)
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ASEAN-INDIA FTA CONCLUDED

The Sixth Consultations between the ASEAN Economic Ministers (AEM) and India was co-chaired by Mr. Lim Hng Kiang, Minister for Trade and Industry of Singapore and Mr. Kamal Nath, Minister of Commerce and Industry of India was held in Singapore on 28 August 2008. The meeting was also attended by Mr. Surin Pitsuwan, Secretary-General of ASEAN along with the other senior Ministers from rest of the ASEAN countries. At the meeting, the Ministers noted that, ASEAN-India bilateral trade continues to grow at an impressive rates. The share of ASEAN-India trade in relation to total ASEAN trade continued to increase and India remains ASEAN's

seventh largest trading partner. On the investment side, in 2007, India's FDI to ASEAN, valued at US\$ 641 million, was the highest ever recorded since 2000.

The Ministers announced the conclusion of the ASEAN-India Free Trade Agreement (AIFTA) negotiations for trade-in-goods and were pleased that, despite the difficult issues in the negotiations, both sides were able to reach an agreement on the modality for tariff reduction and/or elimination, which is among the key elements that will facilitate the creation of an open market in a region comprising about 1.7 billion people and with a combined GDP of

approximately US\$ 2,381 billion as of 2007. The Ministers viewed that it could be a major avenue in harnessing the region's vast economic potentials towards sustained progress and improved welfare not only for ASEAN and India but for the greater East Asian region as well.

The Ministers gave instructions to commence negotiations on trade in services and investment as a single undertaking, and to work towards the conclusion of substantive discussions on these two agreements by 2009 to bring about a complete ASEAN-India CECA.

(Excerpted from the Press Release, Ministry of Commerce and Industry, 28 August 2008).

ASIAN ECONOMIC INTEGRATION SHOULD LEAD TO OPEN TRADING ENVIRONMENT

Speaking at a seminar on Asian Economic Integration, Lim Hwee Hua, Senior Minister of State for Finance said Asian economic integration should not lead to a closed and exclusive regional trading bloc which would be detrimental to Asia's economic growth. The integration would lead to an environment where companies could operate across Asian countries and beyond in a borderless manner, where goods, funds and information flow freely at minimal cost, she elaborated.

She pointed out that the failure of the Doha Round has lent greater impetus towards regional integration, not to encourage protectionism, but to sustain the momentum for liberalization so that all will derive maximum benefits from economic globalization. She was of the opinion that holding regular and frequent dialogues is also an important aspect of managing diversity within Asia. The path towards successful Asian economic integration should adopt a pragmatic approach that recognizes and accommodates the diverse interests and developmental levels of its members. In addition, increased regional financial integration could lead to an enhancement of economic integration and growth for Asia.

(Excerpted from the xinhuanet.com., 4 September 2008.)
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CREATION OF COMMON ASIAN CULTURE MUST FOR REGIONAL STABILITY

Addressing a seminar on 'Sustaining Asia's Growth: Challenges and Opportunities,' Prof Li Tao, Executive Director, Institute of South Asian Studies, Sichuan University, creation of a common Asian culture is important for regional stability and the emergence of a stable, multi-polar global economy. Regional organisations such as the ASEAN, SAARC and APEC have laid the foundation for the growth of the Asian economies and have shown that the western model need not be followed 'blindly.'

India and China, the two of the largest economies in the region, share a common culture and relation that goes back 2,000 years. Using cultural links to address international issues fits in better with social development, Ms Li Tao said.

On the same platform, Mr N. Ram, Editor-in-Chief, *The*

Hindu, said that India and China must develop in a comprehensive way including in social issues such as health, food and education for Asia to lead the global economy. The building blocks are in place with India and China emerging the economic leaders and recognising the need for cooperation. But both are 'bringing up the rear' on climate change issues, he said.

Mr Aminur Rahman, Consul General of Australia in Chennai, said Australia's economic prosperity was tied to Asia. Two of the top five global economies, China and Japan, were in Asia which had close ties with Australia. India was Australia's fastest growing trade partner with a bilateral trade estimated at about \$11 billion and growing at about 30 per cent annually.

(Excerpted from *The Hindu Business Line*, 19 September 2008).
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ADOPT A COOPERATIVE APPROACH TOWARDS OIL PROJECTS

With Indo-China rivalry pushing up price of oil properties overseas, Indian Petroleum Minister, Murli Deora, has proposed to Beijing a 'no-compete' agreement, while suggesting a collaborative and possibly joint acquisition, approach. The Minister used the sidelines of the Shanghai Cooperation Organization (SCO) Summit in Dushanbe to suggested to Chinese Foreign Minister Yang Jiechi a "collaborative approach for acquiring oil and gas projects so that their costs do not needlessly escalate."

The suggestion came in the wake of a possibility of a price war over ONGC Videsh Ltd's 1.42 bn pound takeover bid of UK-listed Imperial Energy that has assets in Tomsk region of the western Siberia in Russia. China's Sinopec was initially

interested in Imperial Energy and had made an offer even before it completed due diligence of the company. But after OVL's offer was accepted by Imperial board, Sinopec announced that it was not considering making a counter offer, putting to rest talks of an Indian-Chinese contest for control of the company.

Officials said Minister suggested that collaborative approach would ensure keeping the costs at equitable levels to both the offering and bidding parties. It is believed that Yang has also reciprocated the suggestion.

Before that, Indian Minister had met Russian President Dmitry Medvedev and won Kremlin's support for OVL's Imperial bid.

(Excerpted from *The Economic Times*, 31 August 2008).
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ASIA GROWTH PROSPECTS NOT SO BAD, SAYS ADB

The ADB's President, Haruhiko Kuroda, predicted that the region's developing countries would suffer less than expected from the global economic slowdown because of sustained investment, robust domestic demand and their lack of dependence on financial markets to raise capital. He also told that while emerging Asia's growth would be slower in 2008 and particularly in 2009 than current ADB predictions because exports to developed nations were declining, the greatest threat remained high

inflation.

The ADB would therefore not be adjusting its lending policies in light of the global slowdown, Mr Kuroda said, but would give increased assistance to help nations cope with higher food prices and climate change. He said "The negative impact coming from the global slowdown will continue to affect Asian economies, but the extent of the impact will be small and felt more next year. But even then, the impact, or downward adjustment, will

not be as great as some of us had feared because real demand is strong, including domestic demand and investment as well as the consumption are strong."

Mr Kuroda said that while regional capital markets had been buffeted by the credit crunch, the broader financial sector had been affected "very little." Stock markets in developing Asia still play a limited role in financing investment. Investment is largely financed by banks and the banking sector is still

sound. Fighting against inflation is by far the more important challenge than sustaining economic growth simply because inflation is so severe in many countries while the economic slowdown in many countries in Asia has been relatively minor. Mr Kuroda said the case for greater regional integration in Asia was "broad, deep and compelling" but that it "would benefit from a helping hand from governments."

(Excerpted from *The Financial Times*, 10 September 2008).
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EAST ASIAN SUMMIT MINISTERS DISCUSS FOOD SECURITY AT SINGAPORE MEETING

Mr. George Yeo, Minister for Foreign Affairs, Singapore chaired the EAS Foreign Ministers' Informal Consultations on 22 July 2008 in Singapore. The Ministers had a wide-ranging and fruitful exchange of views on key regional and international issues. Amidst volatile and escalating oil prices, they agreed that greater regional and international cooperation was important in ensuring the region's energy security, and welcomed the substantive progress made by the EAS energy sectoral in the areas of energy efficiency and conservation, energy market integration, and bio-fuels for transport and other purposes.

The Ministers also noted that food security was another key concern for EAS countries. For that, various ideas were suggested, including the use of high yield agricultural seedlings, greater research and development, as well as developing techniques to exploit more inhospitable agricultural environments for food production. They further reaffirmed their commitment to address the key challenge of climate change and working towards an effective, comprehensive, and equitable post-2012 international climate change arrangement under the UNFCCC process. They also exchanged views on the global financial situation and welcomed continued cooperation

between EAS countries in the area of finance.

The Foreign Ministers also discussed the future directions of the EAS. While preserving the EAS' unique strategic and Leaders-led nature, it is also important to ensure that the Leaders' discussions translate into tangible projects and concrete results. ASEAN will continue as the driving force while EAS cooperation will also be utilized to strengthen ASEAN Community-building. Besides continuing to explore possible structures, the Ministers also noted, in particular, the need to strengthen the EAS Unit within the ASEAN Secretariat.

(Source : www.aseansec.org).

FOURTH MEETING OF THE NALANDA MENTOR GROUP

The Nalanda Mentor Group in its Fourth Meeting in New Delhi on 12 – 13 August 2008, reviewed the developments since its last meeting in New York in May 2008.

The Group reiterated the objective of the Nalanda University to provide contemporary studies in philosophy, history, business and management, languages and literature, ecology and environment, international relations, among others. The Group also discussed the legal and financial framework necessary for setting up of the Nalanda University.

The Group reaffirmed that the Nalanda University should be a unique place of learning, of high scholarship, centre of academic excellence, aimed at becoming one of the best universities in the world meant for high calibre students and scholars. The Group felt that while the Nalanda University will be located in the state of Bihar proximate to the site of the ancient university, one of the six schools would be based in New Delhi. The Group unanimously adopted to use the 'Nalanda Seal' in the emblem of Nalanda University. The Group considered the views of the experts to incorporate suggestions on public-private partnership, connectivity and distinctiveness to attract the best international students and faculty members.

(Excerpted from the *Press Release*, MEA, 13 August 2008).

JAPAN WANTS EAST ASIAN TRADE BLOC TO BE A REALITY

Japan External Trade Organisation (JETRO), Chief Executive Officer and Chairman Yasuo Hayashi, said that Japan is serious to see the East Asian grouping moving ahead. In fact, things are moving forward and we have set up a temporary research centre in Jakarta.

Japan has mooted the Comprehensive Economic Partnership in East Asia (CEPEA), under the Nikai Initiative named after its Economic Minister Toshihiro Nikai, agreed to fund nearly US\$100 million (RM380 million) over a 10 year time-frame.

Tough sceptics doubted Tokyo's proposal as it would cut across an assorted regional economies, some developed

and few still backward, Japan rationalized such a bloc was essential to help bridge the gaping economic gap between poor and rich nations.

Economic disparities remain a bane in the region, with countries like Singapore, Australia, Brunei and Japan enjoying per capita income over US\$ 30,000 compared to Myanmar's US\$ 240.

Hayashi further said that to pursue integration we need to narrow the economic gap which requires an enormous amount of money to assist least developed countries. For instance, we need to lay the industrial corridors from east to west and north to south, these are the challenges we need to pursue. He also made

it clear that Japan's ambition is to turn this resource-rich region into the "growth centre of the world" by creating a regional production network supported by a strong consumer base of about 3.1 billion people from the East Asian Community.

The research centre of the ERIA would be the driver of this initiative to develop a roadmap towards regional integration, policies on energy security, climate change and narrowing economic gaps. He also added that the institute would recommend East Asian leaders what sort of policies to take to enhance the integration process.

(Excerpted from the *Bernama.com*, 18 July 2008).
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A VISION FOR ASIAN INTEGRATION

HARUHIKO KURODA, PRESIDENT, ASIAN DEVELOPMENT BANK

I have a vision of a more integrated Asia, one where Asia stands as a major player in the global economy, and an important partner in global trade, investment, finance and development.

As many of you would agree, the center of gravity of the global economy is shifting toward Asia. Asia's remarkable rise is reshaping the world economy while relations among the region's economies are also evolving. Outward oriented development, once aimed primarily at export markets outside the region, is now knitting Asia together. Asian economies will continue to increase trade and investment with each other and will be increasingly integrated through production networks and financial activities.

A dynamic and integrated Asia would contribute to economic progress both regionally and worldwide. Realizing the dream of a well-integrated Asia is a big challenge. Yet it is achievable through small, incremental steps, however, it requires some sort of goals or objectives

for the foreseeable future. There are certain goals which have been developed to be achieved by 2020 in a book entitled *Emerging Asian Regionalism: A Partnership for Shared Prosperity*. These goals are establishment of an integrated market free of restrictions on regional flows of goods, services, and capital and deep and liquid financial markets open to cross-border capital flows and services. There is need for effective frameworks to coordinate macro-economic and exchange rate policies, and collective efforts to address vital social issues, such as poverty, exclusion, income insecurity, migration, aging, health, and environmental threats. Further, there is need for a consistent voice to project the concerns of Asian economies in global policy forums and establishment of vibrant institutions, adequately and professionally staffed, to provide first-rate analytical and logistical support for these efforts.

ASEAN+3 and the East Asia Summit (EAS) are two powerful forums centered

on ASEAN. Intensifying regional cooperation in East Asia might gradually expand to include South Asia and other sub-regions of Asia, and ultimately the formation of an Asian economic community. As we move forward, we must develop an institutional framework. Rather than a single guiding institution, Asian leaders may opt for several that are more functionally or geographically oriented. Cross-border physical infrastructure is expanding, yet requires significant future investment and financing. Monetary integration remains more of a longer-term goal.

Accordingly, I am stressing that Asian economic integration is a challenging task but achievable. Each step toward closer integration will require innovation, leadership and support from major economies. Asia is poised to take these steps.

(Excerpted from the speech delivered at the ADB-ADBI Joint-Conference on Emerging Asian Regionalism: The Challenges of Economic Integration, 12 September 2008, Tokyo, Japan).

FTAs ARE GUIDED BY THE HIGHEST COMMON DENOMINATOR

ONG KENG YONG, DIRECTOR, INSTITUTE OF POLICY STUDIES, NATIONAL UNIVERSITY OF SINGAPORE

The proliferation of FTAs is a desire by countries to move faster on trade liberalization. The WTO process is based on the lowest common denominator. Its members have diverse requirements as they each have unique socio-economic and political makeup and needs. Therefore, negotiation for trade liberalization will be slow and a strenuous exercise of balancing interests. FTAs, on the other hand, are a marriage of the like-minded and very often, work on the highest common factor. A balance of benefits and trade-offs is more easily achieved.

Countries that engage in FTAs take the risk that their domestic sectors may be pried open, in exchange for wider benefits of access to another market.

In a way, FTAs are like a hybrid of the multilateral trading environment. They reflect a country's attitude towards globalization. The countries that actively engage in FTAs, in particular, cross-regional FTAs, embrace globalization.

However, globalization is only one explanation of the surge in the number of FTAs in the world today. There are two other critical explanations and many subsidiary reasons. They are the need to reform domestic policy and the need to preserve peace.

Reform has to do with modernizing the economy and society as well as harnessing the potential of globalization for the benefit of the country. Peace refers to the strategic

factors which all countries must take into account and it has a lot to do with the politics of hope.

FTAs are the set of management tool to deal with the challenges. They are not perfect because the shaping of mental attitude and the changing of behaviour are very difficult processes. However, we must learn to cope with the imperfections arising from the FTA strategy. At the baseline, I hope all of you will agree that FTAs are here to stay and the challenge is how to make them better to serve us better. Having an Asian noodle bowl is better than having no bowl at all.

(Excerpted from the Keynote Address delivered at the Asian Noodle Bowl Conference, ADBI, 17 July 2008, Tokyo, Japan).

SAARC'S TRANSITION FROM DECLARATION TO IMPLEMENTATION PHASE

MASAHIKO KOUMURA, MINISTER FOR FOREIGN AFFAIRS OF JAPAN

South Asia enjoys rich potential and “connectivity” as they are necessary to bring that latent potential to fruition. At the same time, South Asia also has obstacles preventing the region from realizing its potential. One testament is the fact that it was SAARC itself that stated it had transitioned from the “declaration phase” to the “implementation stage” of its objectives.

With South Asia home to the rugged mountain range referred to as the “roof of the world,” it is only fitting that there is an extraordinary untapped potential in generating electricity through water power. By harnessing water power, there is the potential to generate some six times the electricity currently being produced. It can be said that there is not a moment to lose for South Asia to utilize the electricity resources found in such abundance here, considering for one thing its ongoing

population expansion, particularly its urban population explosion, as well as the soaring prices in global energy markets.

Now is the time to reinforce this “connectivity,” especially in the case of electricity resources, the efficiency of use will be affected dramatically depending on how much “connectivity” has been achieved. However, the obstacles hampering connectivity exist in the “mindsets” held within the SAARC member states. If SAARC succeeds in lowering that barrier even a little, it will bear fruit far beyond cooperation in electricity and resources. I believe that it will contribute enormously to the advancement of regional cooperation as a whole and truly unshackle South Asia's tremendous latent potential.

As a neighbour of South Asia, Japan wishes strongly for this subregion to succeed in attaining stability. The magnitude of India's role cannot be

overstated and cooperation with India is also of critical importance to Japan. Actions to foster stability reinforce connectivity, while efforts to strengthen connectivity also facilitate peacebuilding, the consolidation of peace and regional stability. In this way, we can say that each of these factors serves as a catalyst inducing the other, and in combination yield positive synergistic effects.

In addition, I would like to promote people-to-people exchanges between Japan and SAARC across the entire range of levels. Above all, in inviting specialists in the fields of resources and energy, we will endeavour to have these SAARC experts participate in intense discussions among themselves and enjoy enriching experiences.

(Excerpted from the Message delivered on the Occasion of the 15th Summit of the SAARC, 2 August 2008, Colombo).

ASIAN ECONOMIC INTEGRATION: TRENDS AND PROSPECTS

MASAHIRO KAWAI, DEAN, ASIAN DEVELOPMENT BANK INSTITUTE

The regional cooperation in the areas of trade, infrastructure and finance is essential to sustainable, robust growth of Asian economies. Over the past 25 years, the major drivers of Asia's outward-oriented economic growth and integration have been market-led trade, FDI and finance, and the formation of regional production networks and supply chains linked to global markets.

Several arguments have been put forth in the region, that there is a need for consolidation of messy and multiple FTAs into a single East Asia-wide FTA like an ASEAN+3 FTA (EAFTA) or an ASEAN+6 FTA (CEPEA). Establishing a broad-based, region-wide FTA could help mitigate the harmful “noodle bowl” effects of different or competing tariffs, standards, and rules. An East Asia-wide FTA could reduce trade-related business costs, particularly for SMEs and attract more FDI.

Physical infrastructure is critical to

supporting economic activity as it improves productivity, competitiveness, and business environment. The rapid growth of the Asian emerging economies cannot be sustained without significant infrastructure investments. The development of cross-border infrastructure and the resulting physical connectivity across countries have also supported regional trade and economic integration.

Market-driven financial integration has been taking place in East Asia owing to the regional economies' financial market liberalization and opening, and capital account liberalization. For East Asia's financial market integration and stability, there is a need to create a deep, resilient financial system in each country, to integrate them throughout the region, and to ensure regional frameworks for financial stability.

In this context, first, the effectiveness of economic review and policy dialogue

(ERPD) needs to be enhanced by moving from the “information sharing” stage to the “peer review and peer pressure” stage and by adding the “due diligence” element. Secondly, it is important to strengthen regional frameworks for financial stability through a new forum like an “Asian Financial Stability Forum.” Finally, reflecting the deepening economic interdependence within East Asia, a certain degree of intra-regional exchange rate stability is highly desirable.

There are several groupings emerging in East Asia, and their future activities and relationships would likely to shape the region's economic architecture. From a trade and investment perspective, perhaps EAS is the most appropriate grouping, but from the finance perspective ASEAN+3 is the most relevant.

(Excerpted from the Keynote Speech delivered at the High-Level Symposium on Asian Economic Integration, 4-6 September 2008, Singapore).

EMERGING REGIONAL ARCHITECTURE IN ASIA

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

With a combined population of nearly half a billion and GDP of over a trillion dollars, ASEAN countries provide a large market for Indian companies. The conclusion of India-ASEAN FTA in Singapore would pave the way for India to play its due role in emerging broader regional architecture in Asia.

India's Look East Policy was perhaps a response to the growing recognition of East Asia's potential to emerge as the centre of gravity with rapid growth sustained over the past three decades in contrast to rather subdued economic performance of the western world. As a part of the Look East, India has evolved a multifaceted partnership with ASEAN and other East Asian and Pacific countries.

Among the specific provisions of the FTA, it provides for gradual elimination of tariffs on 80 per cent of tariff lines by 2015. For an additional 10 per cent of

tariff lines that are on the sensitive track, the tariffs will be brought down to 5 per cent. To protect some sensitive products like agricultural commodities, 489 items have been put on a negative list where we will not offer tariff concessions. Considering that our tariff rates on non-agricultural goods have been going down over the past years progressively and currently peak tariff rates are at 10 per cent, we should be able to implement the provisions of the FTA without much problem.

It is time that Indian industry begins to look at the market access opportunities becoming available through the FTA in ASEAN countries. In this context, Indian companies should deepen their penetration in these countries by taking advantage of the duty free access that will become available to us under FTA. Yet a more important potential of the FTA will be in

unleashing a process of industrial restructuring aimed to enhance the overall competitiveness by exploiting the synergies of the FTA partners for mutual advantage.

Some early patterns in deepening of investment links prompted by the FTAs are already visible. Over 2,000 Indian companies have reportedly set up bases in Singapore to expand into the East Asian region. Some large IT companies have made Singapore as their regional headquarters. Tata Steel has acquired NatSteel of Singapore having operations in several East Asian countries, Millennium Steel in Thailand and is setting up a green-field steel plant in Vietnam. Therefore, the conclusion of India-ASEAN FTA negotiations is an important event in the direction of emerging broader Asian regional architecture for regionalism.

(Excerpted from the *Business Standard*, 6 September 2008).
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AN EAST ASIAN ECONOMIC POWERHOUSE

PHILIPPINE DAILY INQUIRER

It is now widely acknowledged that the focal point of the world economy has shifted to the Asia-Pacific region. All eyes are now on Asia as current global economic trends, including rising oil and food prices, are being shaped largely by developments in this part of the world.

Asia, after all, is host to rapidly growing China and India, both huge economies in both physical size and population. ASEAN has also become a formidable economic bloc that can stand up to their giant neighbours and the traditional economic giants of the world. Not surprisingly, Japan and Korea also would like to get in on the action by pushing for a wider integration that includes the rest of East Asia.

Integrating the East Asian economies may well be more challenging, given the diversity in this continent. The diversity lies not only in the economic sphere, but in the social, physical, political and cultural spheres as well.

Among the things going for East Asia is that it has had the fastest-growing economies in the world accompanied by a marked decline in poverty. However, the rapid growth of East Asian economies has not come without cost. There may be less poverty, but income gaps have also widened. What makes greater East Asian economic integration a desirable goal? One, a unified East Asian market is a formidable force in the global economy, and individual countries can benefit from this collective clout. This was proven during the Asian financial crisis, secondly, one could argue that the diversity actually offers rich opportunities for complementation and synergy, and therefore mutual benefits among the individual East Asian economies. Lastly, concerns with food and energy security provoked by the surge in oil and food prices worldwide have underscored the value of cooperation and mutual support within the region.

What challenges face such integration?

First, there can be tremendous social and political costs from needed sectoral adjustments as trade is liberalized among the member economies. Secondly, widely divergent income levels, industrial structures, human resource capacities, level of development of institutions and maturity of financial markets also make integration moves extremely challenging. Third, suspicions of hidden motives on the part of more powerful members along with perceptions of lopsided benefits, lead many to question specific initiatives, especially bilateral ones, for greater integration. This suggests that greater economic integration would be better pushed in a multilateral context, i.e. ASEAN with its East Asian neighbours. Therefore, we must work to benefit from being part of the emerging East Asian economic powerhouse.

(Excerpted from the *Philippine Daily Inquirer*, 24 August 2008).
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INDIA-ASEAN FTA: A FRANCHISE TO ACCESS

R RAVIMOHAN, *BUSINESS STANDARD*

The recently signed FTA between India and ASEAN is an important step in bringing India more centre stage in Asia. Though, it is a significant development from both sides on multiple dimensions, as it lays the foundation for improved trade between two strongly emerging economic regions.

However, the impact of this is likely to be felt far beyond the confines of the mere trade and investment boost both India and ASEAN are likely to receive. India could leverage its higher visibility achieved through the trade agreement to seek to improve its geo-political status not only in ASEAN, but also in wider Asia.

Despite healthy progress on international trade on both sides, the trade between India and ASEAN has remained much below potential. This represents a great opportunity to

increasing this trade, especially given the complementarity of markets and resources. Edible oil, wood and pulp, timber and forest products, energy baskets, manufactured products such as consumer durables, electronics and communication equipment, as well as agri- and marine-based products offer themselves as ready firsts as far as India's needs are concerned and which are in abundance in ASEAN countries. Similarly, a wide basket of agricultural, metal, equipment and heavy engineering goods are possible exports from India.

The real fun however, begins when the agreement is extended to services and investments. The huge savings and capital markets present in these regions as well as the presence of the large retail financial savings, which are getting bigger, will open innumerable opportunities for cross-border investment flows. Tourism, health,

education, IT and ITES are service sectors replete with possibilities to provide very viable cross-border investment opportunities.

In this context, both India and ASEAN can look to build more strategic geopolitical advantage, leveraging the visibility that this FTA might provide. For India, it is very important to become more involved with ASEAN and ASEAN +3 blocks. There is increasing desire building up in East Asia to look at India both because of the attractive market it represents now and also as a good hedge against China on whom it has become so dependent. The FTA that India has signed with ASEAN is therefore, a truly landmark deal that holds many more possibilities than just an expansion in trade.

(Excerpted from the *Business Standard*, 8 September 2008).

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SINO-INDIA RELATIONS DEVELOPING IN-DEPTH

HU SHISHENG, *CHINA INSTITUTE OF CONTEMPORARY INTERNATIONAL RELATIONS*

Sino-India bilateral relations have grown rapidly with an increasingly frequent exchange of high-level visits since the entry of the new century. Leaders of the two nations have held bilateral talks in vital international arenas such as the site of the East Asia Summit (EAS), the United Nations General Assembly, the Asia Telecom Conference and the summit of the Asia-Pacific Economic Cooperation (APEC) organization.

Meanwhile, China and India have set up a variety of dialogue channels, including the annual security dialogue, the bilateral strategic dialogue, the Sino-Indian defense and security consultation, the economic and trade dialogue, and the China-India special representatives-level border negotiations. Such dialogues via these avenues

have made the gratifying outcome, and particularly with the talks concerning the border issue and bilateral military ties.

Commerce and trade also represents a "bright spot" in bilateral ties. The volume of Sino-Indian trade, which stood merely at 2.94 billion US\$ in 2000, surged to 38.6 billion US\$ in 2007, and China substituted the US for India's largest trade partner in the year. During Indian Prime Minister's visit to China in early 2008, leaders of both countries set a bilateral trade target to 60 billion US\$ against the 40 billion US\$ as planned previously. The governments of the two nations are conferring to reach a Sino-Indian FTA so as to uplift their bilateral trade to a new height.

Besides, China and India have

increasingly stepped up their strategic cooperation on the regional and global scale. To date, the two nations have come to share or seek growing common interests on issues such as global trade, climate change, and even with regard to core labour standards and the human rights. The two sides have been supporting each other in an endeavour to spur the international order to move toward the direction conducive to their socio-economic development. To view things from a global perspective, it is the common desire of the people of both nations to seek the win-win result through their friendly cooperation and common development.

(Excerpted from the *People's Daily Online*, 12 September 2008).

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A GOOD BET, IN THE SHORT TERM

LIVE MINT

India has finally concluded its six-year-long preferential trade agreement (PTA) talks with ASEAN and both sides are claiming this as a major achievement. But it's a matter of perspective. While the economic impact of PTAs is debatable, political strategy rules the day.

The best route to free global trade is through non-discriminatory multilateral liberalization under the WTO. But with repeated stalling of the current Doha Round, most economies today are party to regional or bilateral PTAs. India, which already has PTAs with Sri Lanka and Thailand and a broader pact with Singapore, has no wish to be left out of the intensifying trade and economic integration around ASEAN which promises a strategic pan-Asian market that aims to strengthen the region's role in global geopolitics. It is also

looking at PTAs with the EU, GCC and perhaps in time with the US.

PTAs, however, lead to trade diversion, and their rules of origin create a mess. In ASEAN's case, India wanted tougher norms than agreed on to ensure that products from other countries such as China are not routed to India. The Sri Lanka PTA had Indian spice and pepper producers complaining about Vietnamese items sneaking in. In a world of globalized production chains, it is too tough to identify the country of origin for ensuring it is eligible for preferential treatment. Both firms and governments land up in a mess of red tape, with overlaps, even contradictions that mean regulatory complexity and administrative nightmares. The transaction costs of doing business rise and corruption is encouraged. Economist Jagdish

Bhagwati called this the "spaghetti bowl effect." However, ASEAN admitted to assess how to untangle the tangle in the future. They support the hypothesis that PTAs spur unilateral liberalization and work as building blocks for an eventual multilateral resolution.

Despite nearly 200 such pacts across the globe, the Doha Round collapsed. As Bhagwati says, for PTAs to spur multilateral success, WTO members should cut tariffs unilaterally, at par with their concessions in these pacts. That may seem utopian, but note Commerce Minister Kamal Nath's comment that he could conclude the ASEAN PTA only because India had intensified unilateral liberalization and its already low tariffs helped it to concede enough.

(Excerpted from the *Livemint.com*, 31 August 2008).
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STRATEGY FOR REGIONAL ECONOMIC INTEGRATION

The best way forward for Asia to sustain growth and development is to look at regional economic integration. However, the strategy to such integration should be carefully studied and developed using practical, gradual and flexible approaches taking into the development stage of the countries in Asia and the existing and overlapping mechanisms in the regional architecture. Shared prosperity is indeed within Asia's reach through a more coordinated economic integration strategy.

—H.E. Dr. Surin Pitsuwan, Secretary-General of ASEAN for the Conference on "Emerging Asian Regionalism: Trends and Challenges" Jakarta, 10 September 2008.

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South Asia Development and Cooperation Report 2008

RIS

OXFORD UNIVERSITY PRESS,
2008
ISBN-13: 978-019-569942-5
ISBN-10: 019-569942-4



South Asia has emerged as one of the world's fastest growing regions with an average growth rate of 8 per cent sustained over the past five years. It has also strengthened its place in the international division of labour with a rising share in global trade and FDI flows besides other impressive achievements in economic and human development. Yet the region continues to be home for over 40 per cent of the world's poor and fares poorly in terms of different indicators of human development such as education, health, nutrition, and sanitation. Although the growth outlook is still robust, the downside risks posed by dramatic deterioration of external environment are serious. The region now faces a threat of slowdown in growth and a rise in inflation which may hamper progress in poverty alleviation and achieving development goals.

In this Report, RIS argues that South Asia can face these challenges much more effectively with deeper regional economic integration. It makes specific proposals for strengthening cooperation in trade and investment, transport infrastructure, trade facilitation, energy security, and social infrastructure within the region for mutual benefit.

By helping to create supply capacities in the poorer and lesser developed parts, regional economic integration can provide new opportunities for trade creation and fostering equitable development. The Report makes a strong case for expeditious implementation of the SAFTA besides extending its coverage and further deepening of cooperation in services, investments, industrial development, finance, and capital markets, while moving towards the cherished goal of a South Asian Economic Union.

Economic Integration in East Asia: Perspectives from Spatial and Neo-classical Economics

EDITORS: MASAHISA FUJITA,
KOJI NISHIKIMI AND SATORU
KUMAGAI

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2008

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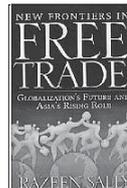
Increasing numbers of free trade and economic partnership agreements have been concluded among many countries in East Asia, and economic integration has progressed rapidly on both a de facto and de jure basis.

This book presents a clear picture of East Asian integration, focusing on various aspects including: the structure of intra-regional trade; industrial location patterns - especially of multinational enterprises; the formation of industrial agglomeration; and, the development of political and institutional frameworks for integration. It addresses these issues from the perspectives of both spatial and neoclassical economics.

New Frontiers in Free Trade: Globalization's Future and Asia's Rising Role

RAZEEN SALLY
CATO INSTITUTE, 2008

ISBN-10: 1933995211
ISBN-13: 978-1933995212



The author argues forcefully that international trade policy has lost its way. Trade policy has become disconnected from 21st century business and consumer realities. The WTO and FTAs have outdated negotiating models and yield diminishing returns. The world's fastest growing economies are those in Asia that have embraced freer trade and global integration unilaterally, without waiting for trade negotiations. Hence, the priority should be bottom-up unilateral liberalization, with China's opening to the world economy leading the way and setting the example for others in Asia and beyond. Sally makes

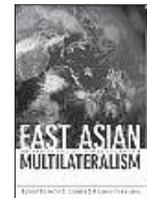
a vigorous case for the benefits of free trade and provides a penetrating analysis of the dangers confronting the world trading system. He sets out practical prescriptions for getting trade policy back on the rails as part of a refreshed agenda for freer trade and freer markets that is relevant to the rise of Asia and 21st century globalization.

East Asian Multilateralism: Prospects for Regional Stability

EDITORS: KENT E. CALDER
AND FRANCIS FUKUYAMA

THE JOHNS HOPKINS
UNIVERSITY PRESS, 2008

ISBN-10: 0801888484
ISBN-13: 978-0801888489

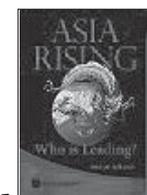


In *East Asian Multilateralism*, prominent international foreign affairs scholars examine the range of implications of shifting alignments in East Asia. The first part delves into the intra-regional dynamics, and the second assesses current economic conditions and policies within individual East Asian states. The third section examines the challenge of regional cooperation from the perspectives of local players, while the fourth analyzes the implications for foreign policy in the United States and in Asia.

Asia Rising: Who Is Leading?

AMITAV ACHARYA
WORLD SCIENTIFIC PUBLISHING
COMPANY, 2008

ISBN-10: 9812771336
ISBN-13: 978-9812771339



Conflict and co-operation are the two central themes of this book a collection of commentaries and opinion pieces by author from various newspapers and publications from 2002 to 2006. It covers a wide range of issues such as the rise of China, Asia's leadership legacy and the role of ASEAN. It also discussed the fate of democracy in Asia, and the implications of transnational dangers and the changing world order for Asia.

International Governance, Regimes, and Globalization: An East Asian Perspective

PETER KIEN-HONG YU
BROWN WALKER PRESS, 2008
ISBN-10: 1599424487
ISBN-13: 978-1599424484



This book provides a comprehensive overview of international regimes, a term foreign and quite difficult to grasp for many students of international/global governance and globalization. By investigating the contradictory and overlapping relationships of these terms, the book provides an in-depth reference for academics interested in this rapidly evolving area of study. Dr. Yu's dialectic model is used to, *inter alia*, dissolve the contradictions exposed in definitions introduced in the first part of the book. The second part of the book illustrates how Yu's theoretical model can be applied to contradictions inherent in idea of having partial loves.

Economic Cooperation between Singapore and India: An Alliance in the Making?

FAIZAL YAHYA
ROUTLEDGE, 2008
ISBN-10: 0415431166
ISBN-13: 978-0415431163



This book examines the growing economic relations between India and Singapore which has culminated in a FTA, the Comprehensive Economic Cooperation Agreement (CECA), signed by both economies in June 2005. With greater convergence in strategic and economic interests, India has begun to focus more towards the Southeast Asian region to enhance economic linkages with the region. Singapore was one of the earliest Southeast Asian economies to spot the potential of India and actively promoted its own and regional trade links with India.

Using the information technology sector as a case study of the India-

Singapore alliance, the book examines the challenges that India and Singapore have overcome in expanding their bilateral trade. This book provides a competitive analysis for intra-regional foreign direct investment.

Potential of Asian Economic Integration: A Perspective from the Strategy of Japanese Enterprises

TETSUJI KAWAMURA

The progress of the cooperation and economic integration of the region has a big potentiality for further industrial and

economic development of the whole Asian region in general. IT industries have big potentiality for the future economic development of each country in the region. IT sectors will stimulate high-tech and lead the technological innovations in the economy and possibly lead the economic development of the region. Japanese firms have significant roles, as demonstrated by the experiences over the past three decades. The effective transfer of its capability-building system, or its significant human resources management and development system still has the key importance.

(RIS Discussion Paper No. 136, April 2008).

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

Research and Information System for Developing Countries (RIS) is an autonomous policy think-tank, established in 1984 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, South-South Cooperation and strategic responses to globalization.

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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