

JAPAN AND ASIAN ECONOMIC COOPERATION

H.E. MR. YASUO FUKUDA, PRIME MINISTER OF JAPAN

FEATURE ARTICLE

Asia has now come to the fore as a central player in world history. This region is a network of never-ending expansion and development linked to the rest of the globe by the sea. However, such a network will not simply evolve on its own. Asian countries should steadily broaden their outlook towards the Pacific and develop their capacity to participate in the creation of this network.

In this regard, I would like to assure that Japan will emphatically support ASEAN's efforts to realize a Community, which have already seen bold and decisive movement forward. Not only is ASEAN situated in the region that holds the key to this network of the Pacific Ocean, but also for the past 30 years it has been playing a central role in regional cooperation in East Asia and the Pacific. The countries of ASEAN have continued to send a message of cooperation and integration to Japan, China, and the Republic of Korea.

Further, as part of the support Japan provides to the countries of the Mekong Region, in addition to various efforts to bridge the gaps within the region, we have been providing assistance to facilitate a corridor crossing Indochina east to west. This endeavour will connect the landlocked countries of ASEAN to this Pacific network. This "East-West Corridor" will cross Myanmar and reach as far as India, which will unquestionably lead to even more dynamic development in this region.

Apart from this, Japan would be reinforcing its alliance with the US as a form of public goods of the Asia-Pacific region. The Japan-US alliance is now much more than a means for ensuring the security of Japan, rather, it also serves as an instrument for the stability of Asia and the Pacific as a whole. The Asian region is therefore able to become a place in which we can foresee the future more easily or, a place characterized by low risk and peace of mind, where trade and cultural exchanges can proceed without constraint. This will serve as the cornerstone for Asian prosperity.

In this endeavour, Japan will forge itself into a "Peace Fostering Nation," sparing no efforts to work for the realization of peace in Asia, the Pacific and the world.

As a necessary prerequisite to the entire range of cooperation, Japan will foster and strengthen infrastructure of Asia and the Pacific for intellectual and generational exchanges. Japan has already begun to undertake a "Plan for 300,000 Exchange Students." Under the Japan-East Asia Network of Exchange for Students and Youths Programme (or the JENESYS Programme), we are inviting 6,000 youths to Japan every year from all across Asia.

We are planning to expand our exchanges among universities within the Asia-Pacific region, and intend to exchange views with knowledgeable people within Japan and abroad, aiming to come to a

conclusion on this plan at the East Asia Summit to be convened at the end of this year. Here one may recall the "ERASMUS Programme" that has been underway in Europe since the 1980's, and I would like to bring about what would be called its Asian version.

As for ERIA, or the Economic Research Institute for ASEAN and East Asia that has recently been established, I intend to nurture it into an organization that will take on roles similar to the OECD in this region in the future, in the expectations that Asia and the Pacific will become a dynamic development center.

I believe that the relationship most appropriate for the Asia and Pacific region of today is one in which we each learn from and inspire the other. Surely, a relationship in which we each learn from and encourage the other is the one we must aim for. If the countries and the peoples of this region, with its tremendous amount of diversity, put their minds together to tackle problems, perhaps solutions will appear that much more quickly. I hope that in the great drive towards growth that will bring dynamism to Asia and make the Pacific Ocean an inland sea, Japan will execute a certain role, expanding the fields of its activities and serving as a central core of stability and development.

(Excerpted from the Speech delivered on the occasion of the 14th International Conference on The Future of Asia, 22 May 2008, Tokyo, Japan).

CEPEA STUDY GROUP MEETINGS

At the second East Asia Summit, in Cebu in January 2007, a Track II study on a Comprehensive Economic Partnership Arrangement for East Asia (CEPEA) was launched to deepen the economic linkages among the sixteen EAS countries in a comprehensive manner. Subsequently, the ASEAN Secretariat has set up a Study Group comprising nominees of the governments of the sixteen EAS member countries.

In that context, RIS hosted the Fourth Meeting of the Study Group in New Delhi on 1-2 February 2008. On the occasion, Mr. N. Ravi, Secretary (East), Ministry of External Affairs, Government of India, in his inaugural address stated the importance India attaches to working with partners in the East Asia

Summit to build a broader Asian community that has been envisioned by the Prime Minister of India.

The Study Group touched upon various wide ranging issues like Trade Facilitation by New Zealand, Cooperation for Narrowing Development Gaps by India, Environment and Energy Cooperation in East Asia by China, ICT by Malaysia, CEPEA Institutional Framework of EAS by Indonesia, Objectives and Scope of CEPEA by Japan, and Roadmap to CEPEA by Japan.

Subsequently, the Study Group met in Manila in April and in Jakarta in June 2008. Its Report finalised at the Jakarta meeting will be submitted to the EAS Leaders through Economic Ministers.

(Source : www.ris.org.in).

RIS AND SAARC SECRETARIAT ORGANIZE REGIONAL CONSULTATION MEETING ON SERVICES TRADE

RIS, in collaboration with SAARC Secretariat, Kathmandu, jointly organized the Regional Consultation Meeting on the Study on Potential for Trade in Services under SAFTA Agreement in New Delhi on 6-7 February 2008.

At the meeting, the SAARC Secretary-General's Representative Mr. Vinay Kwatra, Director, Economic Trade and Finance Division, SAARC Secretariat, delivered the opening remarks. For the Regional Consultation

Meeting, Dr. Nagesh Kumar, Director-General, RIS was unanimously elected the Chairperson. The meeting extensively discussed the draft regional study prepared by RIS. The final study was later submitted to the SAARC Secretariat.

The meeting had participation of senior government officials, heads of policy think tanks, eminent scholars and academicians from all the SAARC countries.

(Source : www.ris.org.in).

RIS ORGANIZES FIRST CAPACITY BUILDING PROGRAMME ON GLOBAL AND REGIONAL ECONOMIC COOPERATION ISSUES

In an era of globalization and regional integration, the process of regional cooperation represents both challenge as well as an opportunity for developing countries, as their growth prospects depend largely on external economic environment. In order to strengthen analytical capacity among the researchers from the Asian developing countries, RIS in collaboration with IDE/JETRO, Tokyo, organized the first Capacity Building Programme on Global and Regional Economic Cooperation Issues (GRECI) under the frame-

work of Economic Research Institute for ASEAN and East Asia (ERIA) from 11 February to 7 March 2008 in New Delhi.

The capacity building programme has been designed to expose the participants to the growing complexities of global economic issues, including regional economic cooperation and negotiations and build the analytical skills among the researchers from the East Asian countries especially from the CLMV (Cambodia, Laos, Myanmar and Vietnam) countries.

(Source : www.ris.org.in).

INDIA-JAPAN TRADE MAY TOUCH \$15 BILLION: CII

According to the CII, trade between India and Japan has the potential to double in the next two years if issues like trade facilitation and non-tariff barriers are addressed. India-Japan trade can reach 15 billion dollars by 2010 from 7.5 billion dollars in 2006-07. New areas of trade in services, higher investment flows into India from Japan, promoting people-to-people contact are other ways through which the level of bilateral trade can increase.

A study revealed that bilateral trade has more than doubled since 2002-03 with trade balance in favour of Japan. While import duties on most goods in Japan are low at present, the India-Japan Comprehensive

Economic Partnership Agreement (CEPA) can raise the level of India's exports. However, there is need for greater focus on agricultural exports to Japan since share of agricultural items in India's exports to Japan has declined by about 22 per cent over the last 10 years, although export of processed food increased by 4 per cent during this period. Further, export of Indian agricultural goods, chemicals and pharmaceuticals face various NTBs. Exporters also have difficulties in understanding guidelines and regulations, since they are mostly in the Japanese language.

(Excerpted from the *Financial Express*, 9 March 2008).

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CHINA AND INDIA ARTICULATE A SHARED VISION FOR THE 21ST CENTURY

Premier of the State Council of the People's Republic of China, Mr. Wen Jiabao and Prime Minister of India, Dr. Manmohan Singh, at a meeting in Beijing on 14 January 2008, resolved to promote the building of a harmonious world of durable peace and common prosperity through developing the Strategic and Cooperative Partnership for Peace and Prosperity between the two countries.

China and India during this meeting recognized that they both bear a significant historical responsibility to ensure comprehensive, balanced and sustainable economic and social development of the two countries and to promote peace and develop-

ment in Asia and the world as a whole. The two sides are convinced that it is time to look to the future in building a relationship of friendship and trust, based on equality. In this context, they believed that in the new century, *Panchsheel*, the Five Principles of Peaceful Coexistence, should continue to constitute the basic guiding principles for good relations between all countries and for creating the conditions for realizing peace and progress of humankind.

Further, both India and China supported and encouraged the processes of regional integration that provide mutually beneficial opportunities for growth. They also viewed each others' participation in regional

processes and agreed to strengthen their coordination and consultation within regional cooperation mechanisms including the East Asia Summit, to explore together and with other countries a new architecture for closer regional cooperation in Asia, and to make joint efforts for further regional integration of Asia. They also appreciated each other's participation in sub-regional multilateral cooperation processes like SAARC, BIMSTEC and Shanghai Cooperation Organization.

They are also convinced to establish an international energy order to the benefit of the entire international community and are committed

to make joint efforts to diversify the global energy mix and enhance the share of clean and renewable energy. India and China recognized the challenge that humankind faces from climate change, and reiterated to join the international community in the efforts to address climate change.

At the meeting, both India and China are of the opinion that their bilateral relationship in this century will be of significant regional and global influence and therefore there is need to continue to build their Strategic and Cooperative Partnership in a positive way.

(Excerpted from the www.fmprc.gov.cn).
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ENGAGING INDIA AND CHINA FOR A STABLE AND RESURGENT ASIA

Speaking at a symposium on Security and Strategic Challenges in Asia: Prospects of Japan-India Cooperation, organised by the Observer Research Foundation, Embassy of Japan and Gaiko Forum of Japan, the Japanese Ambassador to India, Mr. Hideaki Domichi said that Asia will undergo a dramatic change in coming decades. He also said that Japan's focus is clearly on India for a mature and healthy political and strategic relationship besides the economic ties.

On the same platform, former Indian Ambassador to Japan, Mr. Arjun Asrani, requested the Japanese Government to amend its

Cabinet decision which debars highly potential defence channel cooperation between the two countries. Mr. Brajesh Mishra, now Trustee, ORF, stressed the need for bringing China into the mainstream by engaging with it effectively and was of the opinion that stability and peace is important for development. He also stressed the role of Asian Community as a whole.

Describing Asia as "most resurgence rich, population rich" continent, Prof. Chellaney said Japan and India, which have similar interests are "classic natural allies" and should build strategic ties.

(Excerpted from the dailyindia.com, 17 March 2008).
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INDIA, CHINA TO EXPLORE POSSIBILITY OF RTA

According to the Declaration issued after a Summit of Indian Prime Minister Manmohan Singh and Chinese Premier Wen Jiabao, India and China agreed to explore the possibility of starting talks on a regional trade pact as the world's two fastest growing economies seek to enhance commerce to \$60 billion by 2010. The joint statement welcomed the conclusion of the feasibility study on the RTA between the two countries that said such an agreement would be mutually beneficial. It also stated that as major economies in their region, the two sides believe that the strong growth in their trade and economic relations

is mutually beneficial.

Earlier, Prime Minister of India urged China to lift market barriers to goods from India and wanted Indian business to diversify its export basket to that country, as India had a deficit of \$9 billion last year in its trade with China.

Later, at the Trade and Investment Summit, Indian Prime Minister urged Indian businessmen to vigorously pursue opportunities for expanding non-traditional items of export. Such efforts, when matched by greater market access for Indian goods in China, would help to bridge the rising trade deficit.

(Excerpted from the Economic Times, 14 January 2008).
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SINGAPORE POISED TO RIDE CHINA-INDIA WAVE

Singapore Prime Minister, Lee Hsien Loong, said at the opening of the new premises of the Singapore Indian Chamber of Commerce & Industry (SICCI), that China and India continue to surge ahead, despite the problems in the US economy. Sensing this as a new opportunity for Singapore, he said the city-state "is well positioned to ride this wave, because of our proximity, both in geography and culture, to the two Asian giants."

He pointed that the growing affluent middle classes in these countries were now demanding global standards of living and luxury goods. In this context, Chamber should move forward and continue to adapt itself to this changing landscape and offer value propositions to the

business community and Singapore.

He hailed the existing Singapore-India CECA as "a **gold-standard**" pact, for the conclusion of which the SICCI had provided useful inputs. He stated that the Chamber "can be an important agent" in growing the bilateral relationship. There has been a rapid surge in investment flows in both directions and Indian companies are increasingly using Singapore as a base to internationalise their businesses, because of the quality of our infrastructure and the ease of access to multinationals and regional markets. Noting that more than 3,000 Indian companies had already begun activities.

(Excerpted from *The Hindu*, 9 March 2008).

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INDIA-SINGAPORE SET FOR FURTHER COOPERATION IN TRADE AND INVESTMENT

The Indian Commerce Minister, Mr. Kamal Nath, while calling on Mr. Goh Chok Tong, Senior Minister, Singapore, has informed that there are more than 37 approved Indian JVs in Singapore and more than 30 wholly owned subsidiaries while several major Indian banks, like State Bank of India, Bank of India, Indian Overseas Bank and Indian Bank and a number of private companies have branches in Singapore besides MMTC which has converted its representative office in Singapore into a

wholly owned subsidiary.

As regards FDI, the Minister informed that Singapore presently ranks 4th in terms of FDI inflows into India and first from ASEAN with a total investment of US\$ 2694.81million, which is 5.76 per cent of the cumulative FDI inflow into India. The major investments approved have been in the areas of telecom, services sector, electrical equipments, fuels and transportation industries.

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

INDIA-SINGAPORE TRADE LINKAGES MUST GROW

Singapore Minister for Trade and Industry, Mr Lim Hng Kiang, said in a meeting that even though the Singapore-India bilateral trade has almost doubled in three years from S\$13 million to nearly S\$24 million in 2007, but we should compare Singapore's trade with China, which is much bigger. We believe that India should move from the 11th position to become one of our top five trading partners.

The Minister outlined the success in economic cooperation between the two countries after the signing of CECA in 2005. Singapore continues to be among the top four investors for India. According to Mr. Lim, Indian investments in Singapore were growing but not as significantly as it should, though 3,000 Indian companies are registered in Singapore against 2,005 Chinese companies. Many

Indian companies started their operations in Singapore by putting up trading and representative offices. He also told that Singapore can't offer cheaper land or cheaper wages, but can offer confluence of international linkages and talent.

Mr Lim said that for Singapore, India is such a huge country, and our cooperation should be in different sectors, localities and States. He also added that the most remarkable development in the last couple of years was the interest displayed by the international business community in Singapore to use CECA as a platform to do business in India. As CECA covered all the companies operating out of Singapore, it was proving to be a convenient platform, particularly for Japanese companies to trade with India.

(Excerpted from the *Hindu BusinessLine*, 28 April 2008).

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RISE OF INDIA LEADING TO GLOBAL POWER SHIFT

British Foreign Secretary, David Miliband, in his address to several British Ambassadors at the Foreign and Commonwealth Office Leadership Conference, asked British diplomats to reorient their world-view considering that power is moving from west to east, with the integration of China and India into the world economy. He stated that the global power shift meant that the Foreign Office would need to transfer its resources away from Europe and towards India, Asia and

the Middle East.

Miliband also said that our global footprint needs to keep pace with our new priorities and if we aspire to being a global hub, we also need to strengthen our presence in emerging powers. Analysing the global power shift, Miliband said 21st century globalisation was drawing East and West closer. Nevertheless, this century may come to be known as the Asian century," he said.

(Excerpted from the *Economic Times*, 6 March 2008).

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EAST ASIA SUMMIT PARTNERS ESTABLISH OECD-TYPE THINK TANK

ASEAN together with its East Asia Summit (EAS) partners formally brought into being the Economic Research Institute for ASEAN and East Asia (ERIA), which would provide intellectual and capacity building support to the realization of the ASEAN Economic Community by 2015 and East Asia community of the future, turning the region into the largest business space in the world.

ERIA is designed to be a think-tank, in the words of Prime Minister Yasuo Fukuda of Japan, similar to the OECD in Paris for the developed economies of the world. Japan is prepared to finance the operation of ERIA for its first decade. ERIA would focus

its work on the three pillars of deepening integration, narrowing the development gap and sustainable development in East Asia.

The ERIA was formally organized with the election of Dr. Dinh Van An, to the pioneering Chair during the Inaugural Governing Board Meeting held at the ASEAN Secretariat in Jakarta, on 3rd June 2008. Mr. Hidetoshi Nishimura, currently the Special Assistant to the Chairman of JETRO on ERIA Matters, was appointed as the Executive Director. The Board also approved the work programme for the financial year of 2008, budget and logo of ERIA. The Board comprises the ASEAN Secretary-General

and eminent individuals from the government, business community and academia of the sixteen countries participating in the EAS.

The ASEAN Secretary-General, Dr. Surin Pitsuwan underscored ERIA's role in building the intellectual foundation for East Asia integration and in contributing to the establishment of the ASEAN Economic Community by 2015 in terms of policy-oriented and strategic economic research and capacity building. He said that this would certainly help to create the world's largest business space in a vibrant and more integrated East Asia. He was of the opinion that ASEAN's role as a driver of regionalism and

a hub creating linkages among Australia, China, India, Japan, South Korea and New Zealand has brought the best out of their individual contributions to East Asian community building.

The ASEAN Secretariat will work closely with EAS participating countries and ERIA to assist in executing the research agenda and work programme of ERIA. Dr. Surin said that "the role of ASEAN Secretariat in working with ERIA as a partner needs to be emphasized in order to forge close links with the policy-making processes in ASEAN and East Asia."

(Excerpted from the *eGov monitor*, 4 June 2008).
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WORLD ECONOMIC FORUM ON EAST ASIA DISCUSSES ASIAN RESPONSES TO NEW UNCERTAINTIES

The 17th World Economic Forum on East Asia, under the theme of 'Responding to New Uncertainties,' was organized in Malaysia, on 15-16 June 2008. The Forum had participation from more than 300 high level government officials, businessmen and civil society leaders from over 25 different countries that examined and discussed the challenges and priorities to shape the region's future agenda.

Recently, the prospect of a US recession, soaring food and fuel prices and a downturn in global demand have led to concern about Asia's ability to decouple from the US sub-

prime mortgage crisis, which is expected to lead to worldwide losses close to US\$ 945 billion. In the face of these new realities, the theme for the World Economic Forum on East Asia is very appropriate. Although ASEAN now has an economic blueprint and charter, Japan holds the G8 Presidency, and the economic influence of China and India continues to rise, the need for a common agenda in East Asia to address the key regional and global challenges is unequivocally pressing.

On his welcome remarks, Malaysian Prime Minister, Abdullah Ahmad Badawi, hailed the Asian region as full

of "immense promise and dynamism" with people who "brim with entrepreneurial spirit and competitive drive." At the same time, he also warned that the economic well being of the region and the world is under serious threat from rising food prices, costs of energy and the very real prospect of global economic recession. On the platform, it was also highlighted that East Asia is at a crossroads in its role in the global economy, as until very recently East Asia was a follower of the global agenda but, for the first time, it is now leader.

The Forum recognized that the centre of economic gravity

has shifted dramatically. And keeping with its growing economic clout, Asia has also been given a louder voice and greater responsibility on the world stage. International institutions of global governance such as the UN, the World Bank and the IMF have begun to place Asians at the apex of their leadership. At the Forum, with the downturn in the US and the resulting slowdown in the global economy, Asia's economies, particularly India and China have been recognized for providing a 'cushion' for the rest of the world.

(Source : www.weforum.org).

SINGLE TRADING CURRENCY FOR EAST ASIA

Former Malaysian Prime Minister, Dr Mahathir Mohamad, said during a panel discussion at the 14th Nikkei International Conference on "Future of Asia," that integration among East Asian economies can be stepped up by having a single trading currency to facilitate transactions between countries. He said that the single trading currency would help to boost intra-regional trade while removing the attendant risks associated with exchange

rate fluctuations. It would also eradicate currency speculation and manipulation from which Asian countries suffered during the 1997/98 financial crisis.

He said the single trading currency could have its own exchange rate against national currencies from which the countries would be able to ascertain the value of their own currencies.

(Excerpted from the *bernama.com*, 22 May 2008).
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INDIAN WORKERS MOST ENGAGED IN ASIA

WorkAsia research study by Watson Wyatt Worldwide revealed that India has the highest percentage of highly engaged workers at 78 per cent in entire Asia as compared to Japan, which has the lowest employee engagement level at 39 per cent. The engagement level of the Indian worker is 20 per cent more than the Chinese counterpart. This means that Indian employees are better at understanding the organization's business goals, the steps required to achieve those goals and how their contributions drive goals.

According to the study, the top driver of employee engagement for India is customer focus which indicates that Indians believe that companies which focus on customer service and customer satisfaction are more successful and employees are proud to work for them. The second key driver is

compensation and benefits. An attractive 'total rewards' package remains highly desirable to Indian employees implying that organizations need to come up with a competitive fair rewards package and should effectively communicate its value to the employees.

When compared across industry segments, compensation and benefits is a top engagement driver for the manufacturing sector and among the top three drivers for consumer products and pharmaceutical, IT enabled and other services. Compensation and benefits in India, as in other Asian countries, is rated one of the lowest. Performance is the third leading driver. Indian employees appreciate an effective performance management system.

(Excerpted from the *Economic Times*, 23 April 2008).
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IMF URGES ASIA TO SPEED UP FINANCIAL INTEGRATION

The IMF urged Asia's emerging economies to fast-track regional financial integration and capital market development as the world seeks to resolve the US-led credit crunch and the global current account imbalances.

IMF First Deputy Managing Director, John Lipsky, in Tokyo, said it was too early to party despite some signs of normalization in global credit markets and the latest reduction in the US current account deficits. Policy makers need to avoid complacency and take steps to restore confidence, while at the same time preparing for further pressures.

He was of the opinion

that so far Asia has escaped serious downdraft from the US sub-prime crisis and capital markets are now so interlinked that it would be prudent to act proactively to respond to the risk of spillovers. He also warned that the recent decline in US current account deficits did not mean that the global imbalances referring to the phenomenon of large US current account deficits versus Asia's large surpluses were ending. Instead, he warned of a possible shift in imbalances to some economies with flexible exchange rates like the euro area which now have to deal with a strong currency.

(Excerpted from the *Philippine Daily Inquirer*, 20 May 2008).
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ASIAN ECONOMIES CAN WEATHER US RECESSION

According to analysts, Asia would be able to weather any recession in the US because rising trade and investment within the region make it less dependent on the US economy than in the past. While a severe downturn in the US would drag on Asian growth by eroding demand for exports, a rapidly growing middle class is fuelling orders for automobiles, electronics and housing, much of which will be supplied from Asia itself.

Further huge demand for oil, iron ore and other

commodities to build roads, sewage systems and office buildings especially in India and China would also helped to sustain the region through any US slowdown. Lehman Brother calculates that excluding Japan, 43 per cent of Asia's exports go to other nations in the region. David Cohen, Director of Asian Forecasting at Action Economics in Singapore stated that China and India represent a bigger presence on the world stage than just a half dozen years ago.

(Excerpted from the *Hindu Business Line*, 22 January 2008).
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INDIA AND CHINA NEED STRATEGIC VISION FOR ECONOMIC COOPERATION

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

India and China have grown competitive by starting from continent-sized markets and graduating to world markets are the symbols of the growth stories.

Today, India and China are the fastest growing large economies in the world. As the 21st century unfolds, both India and China stand poised to regain their weight in the evolving global economy. We need to work together to ensure that we contribute to, even as we benefit from, the economic resurgence and integration of Asia. Our two economies are becoming engines of economic growth and must use our natural and human resources, technology and capital for the common benefit of our region and indeed the world as a whole.

The Indian economy has witnessed growth rates of close to 9 per cent per year in the last three years. With a predominantly young population, there is potential for further increase in these rates. Although India is more integrated with the global economy than ever before, our growth has been largely fuelled by an expanding domestic market.

Our bilateral trade with China has doubled in the last two years. Our trade target of 20 billion US\$ by 2008 has

been reached two years ahead of schedule. The revised target of 40 billion US\$ by 2010 is also likely to be achieved two years ahead of schedule. It seems as if we have been underestimating the capabilities of our industries and their strong urge to do business with each other. We, therefore, propose to set more ambitious targets. In the area of trade, there is need to diversify our export basket to China, and vigorously pursue opportunities for expanding non-traditional items of export.

Apart from this, India has a diversified agricultural production base and our food processing industry is also growing rapidly and we can supply quality agricultural and marine products to the Chinese market. For this, a conducive environment should be created for this trade to expand.

There are today enormous opportunities for both India and China to expand trade in services, particularly in construction and engineering, education, entertainment, financial services, IT and IT enabled services, transport, tourism and health sector.

We seek to promote bilateral investments in traditional sectors such as petro-chemicals, steel, healthcare, IT,

biotechnology, renewable energy and low carbon technologies and automobiles.

In that context, there should be a three-pronged strategy for the Chambers of Industry and Commerce of both countries to achieve these goals and objectives. We should jointly develop a strategic plan for the future to have a vision of our economic cooperation and a road map for its implementation. We should develop profitable business models that factor in our complementarities and competitive strengths and the special needs of large markets both in India and in China. The opportunities are many and innovation is the key word to exploiting them.

Economic cooperation between India and China has become a principal driver of our strategic and cooperative partnership for peace and prosperity. Several bilateral understandings and agreements are already in place to address different sectoral aspects which impact on our economic cooperation. India and China working together should develop a habit of mutually advantageous cooperation.

(Excerpted from the Prime Minister's Address at the India-China Economic, Trade and Investment Summit, Beijing, 14 January 2008).

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ASIA CONTRIBUTING TO THE INTERNATIONAL STABILITY

MASAHIKO KOUMURA, MINISTER FOR FOREIGN AFFAIRS, JAPAN

Asia is the most dynamically changing region in the world. Not to mention the rise of China and India, ASEAN is acquiring more and more confidence both politically and economically.

Stability and prosperity of Asia is crucial for stability and prosperity of the world. Japan, as the world's second largest economy constituting approximately 40 per cent of Asia's total GDP, has been contributing to building stability in this region.

We need to increase transparency in the region through political and military confidence building, thereby lowering the

risks that lead to instability. Constructive and future-oriented relations have to be built among Asian countries, and frameworks for a multi-layered, open and interest sharing regional cooperation have to be promoted.

Japan has also been cooperating with other key countries of the region towards the stability of the region like India, the world's largest democracy leading the growth of Asia.

Asia is a region where countries of diverse ethnicities, religions, cultures, political systems, social structures and values, all coexist. Asia, a region with

even greater diversity than Europe which is nonetheless diverse, does not have "The Asian Institution."

However, we have a common recognition in Asia today that we should cooperate as a community to tackle the various challenges we face. We have a number of regional frameworks to complement each other and constitute a multinational system in which concrete cooperation is promoted while common values and interests are fostered.

(Excerpted from the speech delivered at the Munich Conference on Security Policy 44th Conference, 10 February 2008).

ERIA A 'CENTRE OF EXCELLENCE' IN ASIA

Japan proposed the concept of ERIA, because we strongly believed that East Asia, with ASEAN in the driver's seat, should promote regional integration and realize sustainable growth through tackling common problems, such as energy and environment and narrowing the development gaps. In this joint endeavour, I expect ERIA, as the "Center of Excellence" in this region, to play a critical role by concentrating prominent intellectuals in business, policy and academic community, and to contribute greatly to the community-building in this region. It is essential that ERIA shows its relevance through providing excellent policy analyses and recommendations to the Leaders and Ministers in the region in support of their policy making.

— Mr. Akira Amari, The Minister of Economy, Trade and Industry, on the inauguration of ERIA, June 3, 2008.

EAST ASIA AS PROPELLER OF WORLD TRADE

S.. MAJUMDER, ADVISER — RESEARCH, JETRO, NEW DELHI

India's exports, which was contributing less than 0.5 per cent to world export growth in the early 1990s, rose to 1.4 per cent in 2006. Much of the export boom was driven by the expansion of trade with East Asia. East Asia, which includes ASEAN +4 (China, Hong Kong, S. Korea and Taiwan), has been playing a pivotal role in driving India's exports and imports. East Asia's share in India's exports jumped from 16.5 per cent in 1999-2000 to 22.9 per cent in 2006-07.

East Asia has emerged as the propeller of world export growth. In 2006, it contributed the highest to world export growth which surpassed the developed countries' contribution — EU (12.5 per cent) and the US (13.1 per cent). One of the key factors for East Asia's rising strength in contributing to world's exports has been the expansion of intra-regional trade.

The intra-regional trade in East Asia, comprising ASEAN 5 (Singapore, Indonesia, Thailand, Malaysia and the Philippines) and Japan, China, Hong Kong, Taiwan and S. Korea, increased from 43.7 per cent in 1999 to 49.5 per cent in 2005 in exports and from 52.5 per cent to 56.5 per cent in imports during the same period. Therefore, East Asia is a potential market for India.

Basically, there are three main reasons for the expansion of intra-regional trade in East Asia. Firstly, the rise of China was one of causes for the expansion of intra-

regional trade in East Asia. Secondly, East Asia has emerged as the global supply centre for IT-related equipment and components. These products accounted for nearly 40 per cent of the intra-regional trade in East Asia compared to the EU and the US, where intra-regional trade was mainly in automobiles. Lastly, the vigorous growth in consumption in East Asia has become a factor to boost intra-regional trade in that region.

Global economists forecast that East Asia trade will increase and intra-regional trade will be the driving force for the buoyancy. They visualised two factors that would support the expansion of East Asia trade. First, the intra-regional trade will increase with the growing investment from East Asia enterprises. Foreign direct investment from East Asia to the ASEAN countries has increased substantially in the current decade. Secondly, there is the surge in FTAs in East Asia. Of these, 14 are concentrated in ASEAN+6.

Therefore, the buoyancy in intra-regional trade in East Asia should translate into trade expansion for India. In 2005, India accounted for only about 2.4 per cent of intra-regional trade in East Asia. The upcoming growth of IT-related component industry and India's overseas acquisitions should act as a springboard for larger share in East Asia trade.

(Excerpted from the *Hindu Business Line*, 6 May 2008).
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RISE OF CHINDIA WILL BE BENEFICIAL TO THE WORLD

JAGDISH N SHETH, EMORY UNIVERSITY

It is expected that the 21st century will be driven by markets of emerging nations. There has been a realization that the economic growth as manifested in jobs and wealth creation are the real concern for the masses. The emphasis on vocational education resulted in an enormously large pool of talented and skilled people even in small countries. The final reason for the growth of emerging economies is easier access to global capital and technology.

Among the large emerging economies, it is the rise of China and India (Chindia) which would have enormous business and public policy implications during the first half of this century. First, both nations would require enormous natural resources because not only are they manufacturing and service centres of the world, but also because of their own rapidly expanding domestic consumer markets. On the other hand, India would experience accelerated growth in less than ten years through better infrastructure, political reforms and financial transparency. Further, it would continue to expand its service sector especially through organized retailing and financial services.

The global integration of China and India would be radically different. India's economy and enterprises will be globally integrated especially with other advanced countries through large-scale acquisitions of well-established and well-respected foreign companies with technology, branding and manufacturing assets.

Consequently, Chinese markets would expand globally by first going to other emerging economies, both through trade as well as FDI. Accordingly, the largest trading bloc would be Asia especially with free trade with India. This would require formation of a new dominant currency similar to the Euro.

(Excerpted from *The Times of India*, 8 January 2008).
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CHALLENGES FOR THE ASIAN ECONOMY IN 2008 AND BEYOND

HARUHIKO KURODA, PRESIDENT, ASIAN DEVELOPMENT BANK

Asia's record on economic growth and poverty reduction has been remarkable. Asia has consequently become a major contributor to global growth. And sustaining the high rates of growth registered in recent decades will be necessary to further increase economic opportunities and for improving the lives of the poor. However, it is doubtful that would it be possible particularly in light of recent developments in the US and elsewhere? So far, the region's strong macro-economic fundamentals have helped mitigate the impact of a US slowdown.

Changing demand conditions in the world's major economies like the US, Europe and Japan (G3) are still important to emerging Asia's export growth. Nearly 42 per cent of the region's total exports are headed for the G3 markets. While the region's intra-regional trade share is growing, evidence suggests that a substantially large portion of this intra-regional trade caters to external demand. Global financial linkages are also strengthening, and emerging Asia's

stock markets tend to follow the US market closely.

Given this backdrop, Asia's policy-makers need to take steps necessary to ensure confidence in the region's

CHINA AND INDIA DRIVERS OF ASIA'S GROWTH

China and India's increased openness, their vast domestic markets and rapidly expanding productive capacity will continue as major drivers of the region's growth. Coupled with cooperative efforts of ASEAN, the expanded ASEAN+3 and the relatively new East Asian Summit process, we have seen intra-regional trade and cross-border investment expand rapidly. In the decade since the Asian financial crisis, there has been greater cooperation in linking financial systems and calls from several quarters for regional exchange rate stability.

— Haruhiko Kuroda, President, ADB, at the European Commission, 10 March 2008, Brussels, Belgium.

financial markets. They must continue to pursue sound macro-economic management, strengthen prudential supervision of financial institutions,

and improve structural resilience through deeper and more comprehensive reform efforts.

The region's progress and prospects would also be bolstered by continued and stronger efforts toward regional co-operation and economic integration. Driven by the private sector, market-led regional economic integration has deepened, especially in East Asia, as value chains and production networks have grown. East Asia's governments have embraced economic cooperation through various informal dialogues and formal ministerial processes.

Our experience has shown that a pragmatic, step-by-step, bottom-up approach to regionalism is most appropriate as our economies increasingly work together. A "multi-speed," "multi-track" approach is evolving, whereby a few countries start working together on selected common issues, with the option for other countries to join later, or appropriate new issues to be added.

(Excerpted from the Speech delivered at the Asian Development Bank Institute Symposium, Tokyo, 8 February 2008).

ASEAN AT CROSSROADS WITH BORDERLESS REGIONS

MOHAMED ARIFF, EXECUTIVE DIRECTOR, MIER

The rising tide of economic regionalism has changed the landscape beyond recognition, as reflected by the growing number of regional groupings. It has become daunting exercise for analysts to define East Asia, or Asia-Pacific, with regional borders moving like shifting sands. "Far East" was renamed "East Asia" subsequently. The borders of East Asia appear to have shifted, with the EAS also referred to as ASEAN+6, to envelop India on the west and Australia and New Zealand on the east.

ASEAN prides itself as the nodal point of the concentric circles, but the unique position ASEAN now enjoys is not by design but by default. The

concentric constellations seemingly revolve around ASEAN does not necessarily mean that ASEAN is in the driver's seat, as ASEAN is in no position to call the shots.

The centre of gravity may shift from Southeast Asia to Northeast Asia within the East Asian nexus, once Japan, China and Korea learn to bury the hatchet and move on. All this notwithstanding, regional economic integration in East Asia has been driven mainly by market forces, domestic reforms and liberalisation undertaken by individual countries

The intra-regional trade in East Asia is dominated by intermediate

products, components and parts, with goods moving between countries in the region as well as outside the region. East Asia is far more open than any other region, with regional economic integration strengthening its extra-regional linkages through improved competitiveness arising from better allocation of resources, thanks to freer trade flows within the region. Though EAS or ASEAN+6 and ASEAN+3 have distinctly different roles to play. ASEAN has to reinvent itself to remain relevant and stay at centre stage.

(Excerpted from the *New Strait Times* Online, 7 June 2008).

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ASIAN SECURITY IN 21ST CENTURY

The balance of influence on Asian affairs has begun to shift in favour of the countries of Asia. Japan was a lone swallow in the first half of the 20th Century. But in its second half, it blazed a trail that was followed by the East and Southeast Asian tiger economies. China and India have further fanned this Asian revival with their prowess in the manufacturing and service sectors. Asia today contributes just around a quarter of the global GDP, and this share is expected to rise to more than 50 per cent of the world by 2025. As Prime Minister Dr. Manmohan Singh recently noted, by the middle of the century, Asia may well account for more than 50 per cent of foreign trade, income, saving, investment and financial transactions of the globe.

— Mr. Pranab Mukherjee, External Affairs Minister of India at the IDSA 10th Asian Security Conference, New Delhi, 5 February 2008.

LEADERSHIP OF THE FUTURE

JOSEPH S NYE, PROFESSOR, HARVARD UNIVERSITY

Recently at World Economic Forum in Davos, the buzz was about Asia's growing power. According to an Asian analyst, there would be three world powers, viz. the US, China and India by 2050, with no mention of Europe.

But underestimating Europe's power is a mistake, as it currently fragmented, peaceful, and normative in a world of hard power. However, many Europeans would like Europe to play a larger role, as their image is not as bleak as assumed. Power is the ability to get the outcomes one wants, and the resources that produce such behaviour depend upon the context. In functional terms, power is distributed in terms of military relations among states, where the world is unipolar, economic relations, where the world is already multipolar. Here, Europe acts as a union, and countries like Japan and China play big roles. Apart from this, there are transnational relations, outside the control of the governments, everything from drugs to infectious diseases to climate change to terrorism.

Recently, the US National Intelligence Council published four widely different scenarios for the world in 2020, firstly, there would be economic globalisation continues, with a more Asian face; secondly, Pax Americana, where the US dominates the global order, thirdly, Cycle of Fear, in which non-state forces create shocks to security and fourthly, New Caliphate, where Islamic precepts challenge

the dominance of western norms. Though these scenarios have their limitations, but are useful in predicting which three or four major political factors will help shape the outcome.

The first is the rise of Asia. However, China, which has lifted millions of people out of poverty since 1990, but another 400 million still live on less than \$2 per day. Unlike India, China has not solved the problem of political participation. Europe can contribute significantly to China's integration into global norms and institutions. In general, Europe and the US have more to fear from a weak China than from a wealthy China. Further, Asia will be the centrestage, under influence from the Middle East, a region that has lagged others in globalisation, openness, institutions and democratisation. More open trade, economic growth, education, development of civil society institutions, and gradual increases in political participation might help strengthen the mainstream over time.

The next major determinant of which scenario prevails would be US as the most powerful country in 2020, but will be unable to protect its citizens acting alone. No part of the world shares more values or has a greater capacity to influence American attitudes and power than does Europe. European policies and power would thus be the major determinant.

(Excerpted from the *Financial Express*, 14 February 2008).
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EAST ASIA: ECONOMIC INTEGRATION AND FTAs

JAE YOUNG LEE, OHMYNEWS

East Asia's economies have been integrating. This economic regionalization once seemed unlikely because this region, different from the European Union (EU), has not appeared to hold promise as fertile grounds for economic integration. Major challenges, mostly lack of political binding factors, have seemed to be too daunting for this region's countries to cooperatively overcome to reach their goal.

Free trade agreements (FTA) have been making a breakthrough, and three main factors have driven FTAs in East Asia. Firstly, the market-driven economic integration has solidified. Secondly, the North America Free Trade Agreement (NAFTA) and the EU have motivated East Asian countries to pursue their own regional integration. Thirdly, the Asian financial crisis of 1997-1998 admonished these countries to establish cooperative relationships in terms of economies and finance.

The Asian financial crisis instilled a sense of an East Asian Community throughout the region. What have heightened the possibility of an East Asian Economic Community are the vigorous FTA activities in the region.

ASEAN-led efforts to build FTA networks have been paying off and the East Asian Community has better prospects than it used to. Although South Korea, Japan and China are in a position to compete with each other for the initiative in East Asia regionalization, their FTAs are highly likely to materialize.

And, it seems that the slogan of multilateralism cannot deter these FTA initiatives in East Asia because the East Asian community already has become the more realistic and desirable goal than the multilateral world economy for ASEAN and other countries including China, South Korea and Japan.

(Excerpted from *Ohmynews*, 30 April 2008).
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A BROADER ASIAN FTA WILL BRING BIG GAINS

MASAHIRO KAWAI, DEAN, ADB INSTITUTE, TOKYO

GANESHAN WIGNARAJA, ADB, OFFICE OF REGIONAL ECONOMIC INTEGRATION

Economic regionalism is starting to take root in East Asia. With rapid expansion in trade both to developed countries and increasingly within East Asia itself is accelerating the process toward economic integration. Trade helps drive investment, both foreign and domestic, which in turn helps stimulate trade. Foreign direct investment, in particular, brings with it external funding, better production technology and management know-how, and efficient distribution channels linked with outside markets. These are the seeds of economic integration, as has already happened in North America and Europe, and is now happening in East Asia.

In the absence of a comprehensive WTO deal, FTAs are proliferating globally, including in Asia. Notwithstanding with their possible costs, such as discrimination against non-members and trade and FDI diversion, properly designed FTAs can keep trade and FDI flowing. According to the surveys of JETRO and ADB, the firms rely on trade, particularly SMEs

consider FTAs to be costly.

There is a healthy debate on the merits of consolidating these multiple and overlapping FTAs into a single East Asian FTA. Doing so, the argument goes, can help mitigate the harmful 'noodle bowl' effect of different or competing tariffs, standards and rules. Establishing a broader-based, regional FTA would make it easier to do business, attract FDI and embrace small and low income countries. It would also reduce trade related business costs, particularly for SMEs and thus promote more inclusive regional co-operation and integration.

In their study, authors have shown that FTA consolidation at the ASEAN Plus Six level would yield the largest gains to East Asia as compared to the ASEAN Plus Three FTA, but provides far larger gains than any of the FTAs between ASEAN and individual countries outside the bloc. For FTA consolidation to occur, ASEAN would have to act as East Asia's regional hub by

further deepening its economic integration as it carries on with its plan for an ASEAN Economic Community by 2015. The plus-three countries of China, Japan and South Korea need to collaborate more closely for coordinated trade and FDI regimes, and India needs to pursue deeper structural and regulatory reforms addressing not only tariff issues but also 'behind the border' red tape.

However, it is important for the East Asian economies to make existing bilateral and plurilateral FTAs more multilateral-friendly. As FTAs carry both benefit and costs, and designing them to maximize benefits is, naturally the most desirable strategy. With nearly all East Asian economies currently pursuing FTAs, crafting them in a way that induces domestic structural reforms and ensures consonance with WTO rules is a realistic approach.

(Excerpted from the *Far Eastern Economic Review*, April 2008).

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TRADE AS AN ENGINE OF STABLE GROWTH IN AN INTEGRATED ASIA

TIZIANA BONAPACE, CHIEF, TRADE AND INVESTMENT DIVISION, ESCAP

Asia-Pacific developing countries have a huge stake in ensuring that regional and global systems of trade and investments remain open. Market forces have driven the region's hallmark rapid economic growth, led by its two locomotives, China and India. Increases in FDI and multi-national intra-industry trade played a prominent role. Most importantly, Asia's developing countries have shown the rest of the world how economic growth can be used to make inroads into poverty reduction.

In an inter-dependent world there is no doubt that trade, investments and economic growth in developing countries of this region, will be hurt, and several countries are likely to backslide in their fight against poverty. At present, the region is scrambling to find a response strategy. For developing countries of this region,

an increasingly attractive option has been to engage more intensively in comprehensive economic arrangements among themselves. India's trade policy has long been directed at deepening economic integration among developing countries.

Unmistakably, the dynamics of Asian integration are changing. The rise of China and India, has brought about huge new opportunities and are also being eyed as competitive threats. On the one hand, trade and investment liberalization across national boundaries complement each other in facilitating the restructuring of industries along more efficient lines of organization. This draws in all countries of the continent onto higher growth planes. On the other hand, there is concern that openness will lead to a flood of cheap imports that will crowd-out domestic suppliers. The result is a rising foray into treaty-driven forms of

bilateral trade and investment liberalization that seek both to liberalize, but also to safeguard social order and phase economic adjustments through rules and regulations.

While much of the economic co-operation has taken place through bilateral agreements, the "noodle bowl" effect arising from these deals will require more integrative institutional processes, a broader Asian integration process that will become a building block for multilateralism. Prime Minister of India has been one of the leaders at the forefront of articulating a vision of an AEC, in which India, by using growing synergies within an "arc of advantage" will become an anchor for harmony, peace and prosperity in Asia.

(Excerpted from the *ARTNeT Alerts*, Issue No.1, April 2008).

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COMPLEMENTARITIES PUSHING INDIA-JAPAN COOPERATION

PRABIR DE, FELLOW, RESEARCH AND INFORMATION SYSTEM FOR THE DEVELOPING COUNTRIES

Substantial complementarities characterise the economic engagement between Japan and India. Capital, technological skills and new product development are some of the advantages of Japan. On the other, India's strength lies in knowledge-based services and high quality, labour force, this gained international recognition. Japan is looking for Indian skills whereas India needs Japanese technology. An honest collaboration between the two countries is, therefore, fast emerging.

There is a perceived advantage in trade in services. The services sector is a significant player as it contributes over 50 per cent of GDP in India and above two-thirds in Japan. In addition, the huge gap in population dynamics of Japan with India, with the former having an ageing society and the latter a large younger population base is another aspect that makes the Japanese and Indian economies complementary.

Japan is the world's second-biggest spender on technology after the US. This provides vast opportunities for Indian companies to collaborate with Japanese

counterparts. Further, there is a recent spurt in Indian investments in Japan, driven by software companies. The two-way bilateral trade between Japan and India has been growing rapidly, reaching almost \$9 billion in 2006.

A Joint Study Group indicates that there is a huge untapped potential to further develop and diversify the economic engagement between India and Japan. On its recommendations, both the countries are now negotiating an Economic Partnership Agreement (EPA).

Both the countries expect the bilateral trade to cross \$20 billion by 2010, this is not to deny that both the countries apply high tariffs to some of their commodities that carry relatively higher comparative advantage. Inevitably, tariffs will be liberalised in coming days due to EPA, perhaps in case of non-agricultural goods. In that context, tariff elimination should be dealt cautiously. To compensate the revenue loss from tariff liberalisation, India should actively source technology and investments from Japan and enhance the exports to that country.

There is a bright future of Indo-Japanese economic relations, as Japanese firms have started considering India as a future export hub of their products such as Mitsubishi, Suzuki and Honda. Japanese SMEs are excited about Delhi-Mumbai Industrial Corridor (DMIC). There is need for more air links between India and Japan. Though, India has agreed to provide visa on arrival to Japanese citizens from October 2009 onwards. India and Japan have agreed to currency swap pact to help both the nations tide over any short-term BoP crisis. With Japan, negotiation on Bilateral Investment Promotion and Protection Agreement is also ongoing.

Both Japan and India have collective responsibility for ensuring peace and prosperity in Asia. Efforts to advance Japan-India cooperation in furthering Asian regional integration will be in the interest of both countries and in creating a successful Pan-Asian economic community.

(Excerpted from the *Financial Express*, 7 May 2008).
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INDIA-CHINA PARTNERSHIP GATHERED MOMENTUM

JAPAN TIMES

Of all the major power bilateral relationships, that of China and India seems to lag most behind its potential. The two countries are a formidable combination, together they account for one-third of the world's population and they have two of the fastest growing economies. But for a variety of reasons, the potential remains unrealized. The leadership in both countries recognizes that gap but they have been slow to close it.

The most recent visit of the Indian Prime Minister to Beijing, has been applauded as the "sound momentum" of ties and it was hoped that the two countries should trust each other and work with each other for mutual benefit and win-win progress. Indian Prime Minister was more ambitious, concluding that "India-China relations have today transcended their bilateral dimension and have acquired global and strategic significance."

However, the most immediate irritant is the imbalance in the economic relationship. In 2005, when the two leaderships inaugurated a "strategic partnership," they aimed to have \$20 billion in trade by 2008, but reached that target within a year. Eager to seize the moment, the two nations now hope to have \$60 billion in trade by 2010. At the current pace, China would soon become India's number one trading partner, overtaking the U.S. To keep up the pace, the two countries signed accords on nuclear power, railways and cultural exchange and agreed to study the feasibility of a free-trade area.

Unfortunately, Indian businesses feel their Chinese counterparts are getting the better part of the deal, pointing to China's \$9 billion surplus with India. Indians complain that Chinese are exploiting an artificially undervalued currency. In addition,

they charge that the bulk of Indian exports consist of raw materials while higher value items are blocked by Chinese regulations. For their part, Chinese businesses claim that the Indian market is over-regulated and the license raj holds up investment. Indian business professionals concede that domestic facilities are working at maximum capacity and are often forced to buy Chinese products just because they cannot get Indian equivalents at home. When pressed, they admit that Chinese products can be better made than the domestic version and that Chinese labour is hard working.

The focus on building trust and competition is vital. At the core of their relationship is a competition between two large continental powers with global ambitions.

(Excerpted from *The Japan Times*, 23 January 2008).
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INDIA SHOULD BROADBASE TRADE PACTS

KUMUD DAS, FINANCIAL EXPRESS

India could continue to look beyond FTAs in goods to expand the scope of agreements to incorporate service agreements, investment agreements and enhance regional monetary cooperation and cooperation in trade logistics. In this context, India has moved beyond free trade in goods by signing a number of CECA with countries/blocs like Singapore and ASEAN. Similarly, the India-Sri Lanka free trade agreement is being transformed into a comprehensive economic partnership agreement (CEPA) and India is negotiating such an agreement with Mauritius. India could sustain this trend as it provides an opportunity for achieving greater levels of global economic integration, in goods, services as well as in investment.

According to a study on 'Regional

Trade Agreements: Gateway to Global Trade, brought out by EXIM Bank of India, India could also capitalize on its dynamic comparative advantage in the services sector, which has been consistently contributing over 50 per cent of India's GDP since 2000-01, compared to many leading economies of the world and could pursue FTAs on services with developed countries and leading emerging economies where services sector is a major component of economic activity, which could largely prove to be in India's favour. Having well established itself as a growing services sector driven economy, India could pioneer in setting a trend in FTAs exclusively on services. It could adopt a new approach in moving from services to goods and thereby set a new trend in global

economic integration.

India could also explore opportunities to enter into investment agreements with other countries based upon the strength of robust economic fundamentals and growing investment attractiveness of India in the global arena in view of increasing foreign investment inflows and infrastructure investment opportunities. Bilateral investment agreements could play a crucial role in facilitating the prospective growth of FDI in India as also contribute towards higher levels of outward investments from India. India could also consider enhancing its regional monetary cooperation with a view to support and facilitate its regional trade integration.

(Excerpted from the *Financial Express*, 13 March 2008).

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Economic Integration in Asia and India

EDITOR : MASAHISA FUJITA
PALGRAVE MACMILLAN, 2008
ISBN-10: 0230520855
ISBN-13: 978-0230520851



In the flow of globalization in the world economies, the regional economic integrations which have been progressing institutionally in the EU and Americas are now substantially under way among countries in Asia, including Japan, Korea, China and the ASEAN countries. India has also taken steps on the passage towards economic integration. India's full-scale participation in the Asian market will affect other East Asian countries, which in turn will also have manifold influences on India. This book aims to trigger a wider examination of Asian economic integration.

East Asia's Economic Integration: Progress and Benefit

EDITOR: DAISUKE HIRATSUKA
PALGRAVE MACMILLAN, 2008
ISBN-10: 0230553621
ISBN-13: 978-0230553620



FTAs are proliferating in East Asia. This proliferation will become a foundation for the region's economic integration on the one hand, but will also lead to the "spaghetti (or noodle) ball syndrome," due to a mixture of different rules such as rules of origin. In addition, the need for many procedures and documents, as well as custom clearance at borders for road transportation, consumes great time and costs, leading to high transportation costs. There are many issues to address in order to attain further economic integration. This book explores the current state and direction of economic integration in East Asia and examines how economic integration can allow each economy to benefit equally.

Deepening Economic Integration in East Asia – the ASEAN Economic Community and Beyond

EDITOR : HADI SOEASTRO
ERIA, IDE-JETRO
MARCH 2008



This report aims at developing a policy framework to strengthen the ASEAN Economic Community and its role in deepening economic integration in the wider East Asian region. The policy framework would be based on further conceptualization of critical issues and is supported by evidence-based analysis and rigorous empirical studies.

(ERIA Research Project Report 2007 No. 1-2)

Developing a Roadmap Toward East Asian Economic Integration – Perspectives From 16 Countries

ERIA MEMBER RESEARCH
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MARCH 2008

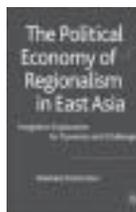


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(ERIA JRP Series No. 1)

The Political Economy of Regionalism in East Asia

HIDETAKA YOSHIMATSU
PALGRAVE MACMILLAN, 2008
ISBN-10: 0230516343
ISBN-13: 978-0230516342



Since the mid 1990s, East Asian states have developed an increasing interest in creating regional cooperation. The book explores this trend and looks at how it is explained in terms of the major theoretical perspectives of international relations. Analysing moves towards free trade

agreements, and cooperation in information technology, environments, energy, and agriculture, the book argues that global and regional economic forces have transformed the political and economic context in which East Asia states interact in pursuit of national interests. Such forces have influenced measures and environments of which the states take advantage for securing national interests.

Asia's New Regionalism

ELLEN L. FROST
LYNNE RIENNER PUBLISHERS,
2008
ISBN-10: 158826579X
ISBN-13: 978-1588265791



Asia's New Regionalism, by Ellen Frost is an ambitious and successful attempt to break old mental maps and present new ways of looking at Asia. The central theme is the match (or lack thereof) between the fast paced regeneration of maritime Asia, linking the booming economies found along Asia's coasts from India to Japan, and the comparatively ponderous government-driven push to promote regional organizations. But the glory of this book is Frost's sense of adventure, as she looks at breakneck change through different academic prisms.

Regional Monetary Integration

PETER B. KENEN AND ELLEN E. MEADE
CAMBRIDGE UNIVERSITY PRESS, 2007
ISBN-10: 0521862507
ISBN-13: 978-0521862509



This book surveys the prospects for regional monetary integration in various parts of the world. Beginning with a brief review of the theory of optimal currency areas, it goes on to examine the structure and functioning of the European Monetary Union, then turns to the prospects for monetary integration elsewhere in the world - North America, South America, and East Asia. Such cooperation may take the form of full-fledged monetary unions or looser forms of monetary cooperation.

The book emphasizes the economic

and institutional requirements for successful monetary integration, including the need for a single central bank in the case of a full-fledged monetary union and the corresponding need for multinational institutions to safeguard the bank's independence and assure its accountability.

Billions of Entrepreneurs: How China and India Are Reshaping Their Futures—and Yours

TARUN KHANNA
HARVARD BUSINESS SCHOOL
PRESS, 2008
ISBN-10: 1422103838
ISBN-13: 978-1422103838



China and India are home to one-third of the world's population. And they're undergoing social and economic revolutions that are capturing the best minds and money of Western business. The book examines the entrepreneurial forces driving China's and India's trajectories of development.

The author shows where these trajectories overlap and complement one another and where they diverge and compete. He also reveals how Western companies can participate in this development.

Through intriguing comparisons, the author probes important differences between China and India in areas such as information and transparency, the roles of capital markets and talent, public and private property rights, social constraints on market forces, attitudes toward expatriates abroad and foreigners at home, entrepreneurial and corporate opportunities, and the importance of urban and rural communities.

Rivals: How the Power Struggle Between China, India and Japan Will Shape Our Next Decade

BILL EMMOTT
ALLEN LANE, 2008
ISBN-10: 1846140099
ISBN-13: 978-1846140099



The book defines the geo-politics of the world's

most rapidly evolving economies and nation states, and assesses the challenge to America's global economic and military leadership posed by the emerging Asian superpowers. It is not just, as many seem to argue, a question of the rise of China. For the first time in history, Asia will not be dominated by just one country or by outside powers. It will contain three large, economically powerful countries, all with interests and ambitions that range across the whole region, and the world. The future of the world economy will be determined by the competition between these three countries, as will world politics.

"Rivals" looks at: How the power struggle between China, India and Japan will shape our next decade, will explore the legacies of history, the likely future trajectories of China, Japan and India, and the potential collisions and intersections between them which will shape the 21st century.

The New Asian Hemisphere: The Irresistible Shift of Global Power to the East

KISHORE MAHBUBANI
PUBLICAFFAIRS, 2008
ISBN-10: 1586484664
ISBN-13: 978-1586484668



For centuries, the Asians (Chinese, Indians, Muslims, and others) have been bystanders in world history. Now they are ready to become co-drivers. Asians have finally understood, absorbed, and implemented Western best practices in many areas: from free-market economics to modern science and technology, from meritocracy to rule of law. They have also become innovative in their own way, creating new patterns of cooperation not seen in the West.

Will the West resist the rise of Asia? The good news is that Asia wants to replicate, not dominate, the West. For a happy outcome to emerge, the West must gracefully give up its domination of global institutions, from the IMF to the World Bank, from the G7 to the UN Security Council.

Cross Regional Trade Agreements: Understanding Permeated Regionalism in East Asia

EDITORS : SAORI N. KATADA
AND
MIREYA SOLIS SPRINGER, 2008
ISBN-10: 3540793267
ISBN-13: 978-3540793267



An unacknowledged key feature of East Asian FTA diplomacy is the region's active cross-regional preferential trading relations. In sharp contrast to the Americas and Europe, where cross-regional initiatives gained strength after the consolidation of regional trade integration, East Asian governments negotiate trade deals with partners outside of their region at an early stage in their FTA policies.

The book asks three main questions: Are there regional factors in East Asia encouraging countries to explore cross-regionalism early on? What are the most important criteria behind the cross-regional partner selection? How do cross-regional FTAs (CRTAs) influence their intra-regional trade initiatives? Through detailed country case studies from China, Japan, South Korea, Singapore, Thailand and Malaysia, we show the ways in which these governments seek to leverage their CRTAs in the pursuit of intra-regional trade integration objectives, a process that yields a much more permeated regionalism.

Regional Cooperation and Integration Prospects in Asia

RAJAT NAG

There is indeed a strong opportunity for South Asian countries to benefit from intensifying regional ties. As a regional policy dialogue becomes stronger and barriers are gradually eliminated, or at least substantially reduced, economic integration will intensify in the next decade or two. This is partly due to the very low level of integration it starts from.

For instance, intra-regional trade in South Asia accounts for only 5.5 per cent of total trade, as opposed to East Asia's almost 60 per cent. As the region continues to build its economic infrastructure and new cross-border projects are implemented, these will not only intensify trade in goods and services, but also facilitate the movement of people. Easing existing cross-border impediments to trade and labour movements, will likely be the strongest economic driver over the coming decade. But the key to any experiment in cooperation and economic integration is political will.

(RIS Discussion Paper No. 131, December 2007).

Towards An Asian "Bretton Woods" for Restructuring of the Regional Financial Architecture

RAMGOPAL AGARWALA

Despite a plethora of programmes for increased financial cooperation in Asia, there has been very little real progress in developing a regional architecture for financial cooperation in Asia. While the risks of repetition of 1997-98 style financial crisis in Asia are not high today, there are new risks of financial turbulence originating from sub-prime crisis in the US and new opportunities for using the financial strength of the region for accelerated growth with equity. To guard against these risks and to exploit these opportunities, a bold new initiative in the region is needed. The idea of Asian Monetary Fund proposed by Japan in 1998 needs to be revived, perhaps with a different nomenclature and a different terms of reference. This paper proposes a Reserve Bank of Asia which will be a combination of IMF and the World Bank at regional level. In order to respond to the current crisis, the major players in the region should develop a consensus on the outline of a regional financial architecture and call a conference of EAS countries to prepare Articles of Agreement for the institution much as was done at Bretton Woods some sixty years ago.

(RIS Discussion Paper No. 133, March 2008).

East Asian Infrastructure Development in a Comparative Global Perspective: An Analysis of RIS Infrastructure Index

NAGESH KUMAR AND PRABIR DE

Development of infrastructure is one of the key priorities of East Asia Summit (EAS) countries. By constructing an Infrastructure Index for 104 countries comprising all the EAS members, this paper examines the levels of infrastructure attainment of EAS countries in a comparative global perspective over time and space. It makes observations on the gaps

between EAS countries in terms of infrastructure development, their overtime performance, and provides some policy recommendations for narrowing the gaps. The Infrastructure Index developed in this paper reveals very wide gaps in terms of infrastructure attainment across the EAS region, which seem to have widened rather than narrowed over time. The paper recommends creating a regional mechanism in order to utilize the region's foreign exchange reserves for development of regional cross-border connectivity and other infrastructure services.

(RIS Discussion Paper No. 135, March 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.



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