



New Asia in a Globalising World

Mr. Lee Hsien Loong, Prime Minister of Singapore

The world is changing faster than ever. The key driver of this change is globalisation. Countries are becoming more closely interlinked with one another, through the cross-border movement of goods and services, capital and labour, technology and ideas. An integrated world is making economies more efficient and businesses more competitive. Consumers are enjoying more choice and higher living standards.

The Asian experience shows the benefits of plugging into the global grid. Indeed, Asia's transformation is based fundamentally on globalisation open markets and outward orientation. Over the last two decades, more people have been lifted out of poverty in Asia than in any other region at any other time in history. Although Asia was struck by a severe financial crisis in 1997, it is significant that none of the Asian countries opted out of globalisation after the crisis. On the contrary, once they stabilised their economies, they continued to keep themselves open to competition, court foreign investments and promote exports.

Asian governments remain convinced that despite the risks, opening up is the best way to achieve economic progress and improve the lives of their people. They have focused on enabling their economies to better meet the challenges and seize opportunities in world markets. They have pursued sound macro-economic policies, strengthened their financial systems and improved corporate governance. Some of this is still work-in-progress. But investors are taking notice, confidence has returned, and the changes are already producing results.

In addition, the rise of China and India has energised the whole region. New patterns of trade and investments have emerged, linking Asian countries not just with China and India, but all across the region. At the same time, Asia is also becoming more connected to the rest of the world. Asia's future lies in being part of the

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global economy, not in a closed regional bloc. And just as Asia seeks opportunities in the world, the world should seek opportunities in Asia.

Asia is strengthening relations with existing partners like the US and Europe. The developed world too must build up stakes in Asia's growth and prosperity, and encourage the continent to play a constructive and responsible role in world affairs. There is also considerable potential for Asia to promote trade and investment with new partners in emerging regions such as Africa, Latin America, Russia and the eastern European economies. These strong external links will reduce the risk of rivalry and conflict between regions as a result of the Asian renaissance.

Globalisation has worked for Asia, and it can work for other developing regions too. In order to make globalisation instrumental for everyone, there should be stable and open global environment that gives all countries access to growth and development opportunities. Further, we must have good governance that enables countries to benefit from globalisation, and ensures that these benefits reach all segments of the population. Only then will countries support policies which promote globalisation, and enter a virtuous cycle where everyone has a stake in an open system that delivers prosperity for all.

International financial stability is a critical element of a stable and open global environment. International trade is another priority area that promotes competition, specialisation and innovation. It is a critical means of gaining and sharing the benefits of globalisation. Trade has benefited all countries, though to varying degrees.

To maintain global financial stability and expand international trade, we require effective multilateral institutions like the

WTO, IMF and World Bank. To play their roles more effectively, and strengthen their legitimacy and credibility, the Fund and Bank must have a more balanced representation of countries. This will also better reflect current realities, where Asia contains four of the ten largest economies in the world, rather than the historical configuration of powers in the immediate post-war period.

Good governance is not just opening up the economy, it is also about creating the conditions for sustained development and actively pursuing policies to make life better for all segments of the population. For that, Governments must uphold high standards of integrity and for them there is need to build capabilities for the future. Further, governments must manage the process of change with care and must get the sequence and implementation of economic reforms right. They need to build consensus among key players, to weigh and manage the risks of reforms, and to make course corrections as events unfold.

Finally, governments must help those adversely affected by globalisation. The rewards of globalisation will seldom be spread evenly within a country, and there will be some groups who fall behind. Governments must think creatively about how to assist these groups, and help them progress along with the rest of society.

Overall, globalisation represents the best hope to improve the lives of the world's population. It has created growth and wealth, and fostered trade and interdependence. Globalisation has been properly managed and it is a powerful force for social good. With good governance and effective multilateral institutions, all countries can contain the risks and benefit from open markets and competition.

(Excerpted from the Speech delivered at the Opening Ceremony of the IMF-World Bank Annual Meetings, 19 September 2006).

(The full speech is available at:
<http://www.imf.org/external/am/2006/speeches/pr04e.pdf>)



Indian Commerce Minister Calls for Greater Engagement of Japanese SMEs with India

Addressing the inaugural session of India-Japan Economic Partnership, organized by the FICCI, the Union Minister of Commerce and Industry, Mr. Kamal Nath, has called for a greater engagement of the Japanese small and medium enterprises (SMEs) in the Indian economy. He assured government's full support to the Japanese SMEs in discovering business prospects in India.

The Minister informed the Japanese delegation led by Mr. Nobuo Yamaguchi, Chairman, Japan Chambers of Commerce and Industry (JCCI) and Tokyo Chambers of Commerce and

Industry (TCCI) that an estimated investment opportunity of US \$ 500 billion in major economic activities is available in India. Of this, US \$ 250 billion investment opportunities exist in infrastructure sectors alone. He hoped "Japan's capital and technology combined with India's human resources and business prospects is the best combination one can hope for."

The Minister highlighted manufacturing sectors like auto-components and automobiles, drugs and pharmaceuticals, chemicals and petrochemicals, banking and financial services,

real estate and construction, retail sector, tourism etc., as sectors which would provide major investment opportunities to foreign investors and hoped that Japan would come forward to forge a partnership with Indian entrepreneurs for mutual economic benefit. The Minister assured that all necessary assistance will be provided to the Japanese investors and in particular reiterated the hope that the SMEs of Japan would have greater engagement with India.

(Excerpted from the *PIB Press Release*, 25 September 2006).
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ESCAP Identifies Four Key Areas to Manage Risks

On the recent volatility in the Asia-Pacific financial markets, UN-ESCAP, in their *Policy Brief*, assessed that Asian markets have been quite stable, but at the same time, it seems that new risks are bound to emerge in the near future. However, the review of the economies and markets not only recommends a four-track approach to manage risks, but also says that the Asian economies are now much better prepared to handle a crisis than they were in 1997.

The ESCAP's *Brief* notes, "The region saw \$39 billion in inflows or 63 per cent of developing country's net portfolio equity investment in 2005. The most popular equity markets were China, India and Thailand. Investors also brought a wide range of other assets both developed and emerging market bonds and commodities."

This buying was fuelled by both external and internal factors low interest rates in developed economies such as

the U.S. and Japan, and the attractiveness of Asian equity prices, with booming portfolios. Investors have also preferred particular sectors depending on country conditions.

With the Asian economies integrating fast into the global economy, ESCAP cautions: "They also face a higher risk from the constantly shifting global environment. It is increasingly important to build strong and flexible economies that can weather global shocks and adapt to new realities. Establishing solid macro-economic and micro-economic fundamentals, healthy financial sectors, and region cooperation in financial markets are crucial in this endeavor."

In face of turbulence, ESCAP had identified several key areas to manage risks by the Asian economies like moderate and stable inflation, sound fiscal policies that ensure low budget deficits and sustainable debt burdens, and flexible exchange rates regimes that can absorb external shock and

reduce currency mismatches in borrowing. Further, it stressed on certain key areas to be addressed are unemployment, insurance and pensions.

Moreover, it also highlighted that the region has the world's best growth prospects. As the countries in the region are in a stronger position to handle turbulence, because these economies now have more flexible exchange rate regimes and high foreign exchange reserves.

Against this, the risks of high and rising oil prices may be the main threat to net oil importing economies, because of that, their inflation and current account balances may be affected. Further, rises in developed country interest rates especially in the U.S., Euro zone and Japan may be possible if inflation shows signs of momentum in these economies. The result may be a global economic slowdown.

(Excerpted from *The Hindu*, 1 September 2006).
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Asian Economies Should Play Stronger Role

International Monetary Fund, Managing Director, Rodrigo de Rato, at the IMF/World Bank Group meeting in Singapore, said that the Asian economies should play a stronger role in the global economy through better financial integration after rebounding from the 1997-98 financial crisis. He said the success of Asian economies showed the IMF, that the region would be more involved in the international economy. According to the Rato, role of the IMF has been extremely important and can be helpful, as IMF view financial integration as an important instrument for Asia to become more integrated with the global economy and at the same time take advantage of its own important assets.

Similarly, First Deputy Managing Director, John Lipsky, said, while greater integration within the Asian region in trade, investment and financial terms was a positive influence, integration with the global economy was just as important. He also added that IMF looks forward to support this endeavor of Asian economies in many ways.

Lipsky was of the opinion that in the coming year's, growth in the US will be less dependent on domestic consumption and more on investments and net exports, whereas in the rest of the world we expect to see a strengthening of domestic demand in the form of stronger growth in investment and income consumption.

(Excerpted from the *Hindu Business Line*, 17 September 2006).
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Japan Looks to Play Leading Role in Regional Trade

Recently, in order to strengthen trends towards economic integration in East Asia, Japanese Economy, Trade and Industry Minister, Toshihiro Nikai, presented the proposal for a Comprehensive Economic Partnership in East Asia, (CEPEA) which would involve Australia, China, India, Japan, New Zealand and South Korea as well as ten Southeast Asian nations. The proposal was followed by the conclusion of an economic partnership agreement between Japan and the Philippines, a development that is expected to give rise to further calls to create a regional free-trade system in Asia.

The proposed East Asian economic partnership agreement aims to make Asia a "high-quality economic bloc" by eliminating tariffs on manufactured goods and agricultural, forestry and marine products within the trading area. The plan also envisages the liberalization of investment and services and the adoption of a common set of rules to protect intellectual property rights.

According to the projections by the Ministry, if a region wide EPA is realized in East Asia, which is widely anticipated to be at the center of global economic growth in the 21st century, Japan could increase its GDP by 5 trillion yen, while the 16 countries combined could see their GDP grow by 25 trillion yen.

In fact, Japanese Government is said to be keen to take the lead in promoting the East Asian EPA plan as parts of its efforts to strengthen the country's industrial competitiveness and help businesses make inroads into overseas markets.

Nikai was of the opinion that India, a newly emerging economy, has the potential to attract foreign investments, whereas Australia is expected to remain an important supplier of natural resources.

Besides this China, South Korea and the ASEAN countries will continue to be of crucial importance as production hubs and markets for Japanese companies.

Earlier, the *International Herald Tribune* (23 August 2006) reported that at the ASEAN Economic Ministers meeting in Kuala Lumpur, Japan has proposed a new trade zone that would embrace half the world's population. In that context, Nikai was of the opinion that the proposed Asian trade zone would benefit from having a population of three billion people and current economic activity of nine trillion dollars. He was certain that it would be beneficial for all the countries in the region. ASEAN Economic Ministers also agreed with a Japanese proposal that academics from these nations would conduct a study on the prospects for an East Asian trade bloc.

They also welcomed another Japanese proposal to put ¥10 billion, into setting up a regional economic research institute, a regional trade think tank. Besides this, Japan and Southeast Asia are planning to set up a separate ASEAN-Japan free-trade deal, with ASEAN resisting efforts to bundle together a series of existing individual agreements, officials said. In that context, Japan is also reluctant to agree to ASEAN demands to invest in sensitive sectors like forestry and fisheries.

Finally, the Ministers in a joint statement, pledged to progressively remove "all forms of restrictions that affect national treatment and market access limitations by 2015" in the services sector, which includes air transport, tourism and health care. The trade ministers also agreed to remove all non-tariff barriers such as licensing requirements, quantitative restrictions and technical control and inspection measures by 2012.

(Excerpted from *The Daily Yomiuri*, 15 September 2006 and *International Herald Tribune*, 23 August 2006).

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Expert Panel Recommends India-Japan Economic Partnership

A Joint Study Group (JSG), which was constituted with representation from Governments of India and Japan has given the green signal for having a Comprehensive Economic Partnership Agreement (CEPA) between India and Japan. JSG in their report gave its recommendations on liberalising markets for goods, investments and services. It emphasized to tap potential to further develop and diversify the economic engagement between the two countries and recommended that India and Japan should launch CEPA negotiations covering wide areas, including goods trade, services and investment.

It pointed out that the two economies could complement each other in the area of information technology with the strengths of Japan's hardware and India's software technology. Sensitive sectors should be treated with flexibility and practicality in consideration of current high tariffs of industrial items in India and agricultural products in Japan, as further tariff reduction would increase market access for both sides in agricultural as well as manufacturing sectors. Also, it

will cut the procurement costs for the manufacturing sector which in turn will contribute to promoting Japanese investments in India and will increase export of agricultural products to each other.

With both countries facing new challenges in customs administration and trade facilitation, it has been recommended that thought may be given to setting up a mechanism for facilitating to share experience of each side and to develop a mechanism for resolving misunderstanding and disputes.

The JSG noted that the current volume of high technology trade between the two countries is rather minuscule. Therefore, both should explore ways and means to utilise the potential and synergies and boost high technology trade. JSG called for a practical and flexible approach to be adopted to make economic cooperation between the two nations mutually beneficial.

(Excerpted from the *Financial Express*, 28 July 2006).

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China and India Lure Corporate Research Centers

India and China, being a cost-saving haven for companies' call-centers and back-office staff are attracting the research labs of the world's biggest companies revealed in a survey. Booz Allen Hamilton Inc. jointly with the business school Insead carried out its survey of 186 top companies in 19 countries and 17 industry sectors. The survey found that more than three-quarters of research and development sites planned through 2007 are slated for India and China.

According to the survey, this eastward migration of RandD has been picking up speed for more than three decades but accelerated tremendously in the past few years. The study forecasts that about 31 percent of RandD employees world-wide will work in one of those countries by the end of 2007, up from 19 percent in 2004.

(Excerpted from the *Asian Wall Street Journal*, 13 July 2006).

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Technology Cooperation between India and China: A Win-Win

Union Minister of Science and Technology and Earth Sciences, Mr. Kapil Sibal in his address at the 4th 'Made in India' Show at the China International Exhibition Centre in Beijing called for greater India-China technology partnership. He pointed out that the bilateral trade between the two countries is on the rise with India's total trade with China touching \$ 18.7 billion this year, and China is destined to be India's partner. At present, the world is driven by high quality and low cost products which are core areas of expertise for India and China respectively, thus cooperation

amongst the two countries will be a win-win situation for both the countries, he said.

The Minister observed that the C in China stands for capacities and I in India for innovation and this combination of the two can overtake the world trade. Strengthening of the bilateral economic relationship between the two countries would bring the people closer.

There is a broad agreement between the two countries on evolving a strategic relationship based on four pillars and a foundation of the synergy of India's software and China's

hardware. Out of the four pillars, two would be for hi-tech and two for public good.

On the same platform, Mr. Cheng Jin Pei, Chinese Vice Minister of Science and Technology, said that India and China are emerging economies and it is in the national interest of both the countries to remain friends.

Later, in his Keynote Address at the India-China Business Summit, Mr. Kapil Sibal, said that, MNC's have been coming to India for the talent pool, especially in software and knowledge-based industries and

to China for manufacturing at low costs. Though this has helped both the countries but not the common man.

The time is opportune for both the countries to come together to develop cutting edge technologies to provide solutions to the problem of the common man. Companies need to look at the bottom of the pyramid where there is huge potential if one can develop solutions which are simple, affordable and accessible.

(Excerpted from the PIB Press Release, 8 September 2006).

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Asia Needs More Bond Funds to Finance Development

According to the Malaysia's Second Finance Minister Nor Mohamed Yakcop, Asia needs to create more regional bond funds to tap its high savings and fund economic development. A bigger and deeper regional bond market and integration of the region's financial systems must be achieved before countries can consider forming a single Asian currency.

In an interview, he said, there is a need for one or more bond funds because our savings rate is very high, and this bond fund mechanism can be utilized to

fruitfully and constructively develop this region, particularly for infrastructure. As the region's central banks have already set up two bond funds aiming to prevent a repeat of the financial crisis of 1997-1998 by providing an alternative source of credit and lure individual investors to Asian securities. However, Asian central banks may start a third bond fund; it may include bonds backed by credit enhancements or guarantees, and asset-backed bonds such as those securitized by home mortgages.

Nor, further said that savings

rates in Asia range from 20 per cent to 40 per cent, and Asian central banks are among the biggest investors in U.S. debt securities, instead of that, there is enough scope to develop our own region. Building more regional bond funds will help countries bring about closer integration of their financial systems, which is a pre-requisite for creating a single currency.

Further, Minister was of the opinion that the way we integrate our financial system and bring more and more players together to understand each other better,

then only issues related to the single currency could come up for consideration.

The 10-member Association of Southeast Asian Nations, China, Japan and South Korea will be studying the creation of an index of the region's currencies that could be a precursor to a common exchange unit. Earlier, the Asian Development Bank also announced to develop such an index, called the Asian Currency Unit.

(Excerpted from the Bloomberg.com, 12 September 2006).

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India Supports Japan's Proposal on Pan-Asia FTA

India strongly supported Japan's proposal for a Pan-Asia trade block that will include ASEAN members and India, China, Japan, South Korea, Australia and New Zealand. Indian Commerce and Industry Minister Kamal Nath, in a meeting with the Japanese Economy, Trade and Industry Minister Toshihiro Nikai clearly stated that India strongly support this initiative which will result in huge economic gain for this part of the world.

Japan proposed the creation of a 16-nation Pan-Asian Free Trade Area, including India, with economic activity worth \$9

trillion. The proposed Free Trade Area will have a population of 3.1 billion people and a GDP of \$10 trillion.

However, ASEAN felt that while study for a single market in East Asia covering 16 countries was fine, what was more crucial was the pact between the grouping and Tokyo. Only then, should the grouping clinch similar single markets with China and South Korea and thereafter bring in Australia, New Zealand and India, the ASEAN ministers felt.

(Excerpted from the Economic Times, 25 August 2006).
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ASEAN can Bolster China, India Economies: Lee Kuan Yew

At the Forbes CEO Conference, Singapore's former Prime Minister Lee Kuan Yew, said that ASEAN states cannot compete economically with Asian giants China, India and Japan but can benefit from their success by playing a supporting role. These economies with the population of 1.3 billion in China, one billion in India are in a different class, category and have a large talent of pool.

He also added that in these economies, hundreds of

thousands of engineers are being produced each year as against the few tens of thousands of engineers produced by the ASEAN countries as a whole. Despite the size of their economies, India, China and Japan would still need to do business with Southeast Asia, but smaller countries like Singapore must position themselves to play a supporting role, he said.

(Excerpted from the Todayonline.com, September 5, 2006).

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Asian Cooperation Important to Moderate the Impact of Financial Volatility

UN-ESCAP in its new report *"The Calm Before the Storm? Managing the Risks of an Asia-Pacific Financial Downturn,"* has issued a warning to Asian governments to reduce exposure to the impact of a sudden or unexpected market downturn, and urged them to be in a mood of protection and preparation rather than the celebratory atmosphere of today's prosperity. Asian countries have to stay alert despite the lull in financial markets recently.

The Report further warns that, there are a number of new emerging threats that could rise from possible interest rates hikes in developed countries, oil price shocks, housing market overheating, and investor over-reaction and contagion. However, at present the Asian countries with their improved economic policies, better foreign reserves and banking sectors are in a better position to face turbulence.

The report cautions that "as Asian economies are becoming more integrated into the global economy, they also face a higher

risk from the constantly shifting global environment." The report advises "it is increasingly important to build strong and flexible economies that can weather global shocks and adapt to new realities."

Governments should focus on controlling inflation and debt, improving banking regulations, and monitoring complex financial products. Governments can be more flexible by having well functioning legal systems, more responsive labor markets, and broader social safety nets.

"Countries in the Asia-Pacific region must improve regional cooperation to lessen the impact of financial market volatility," the report says. UN-ESCAP recommends strengthening existing regional cooperation schemes by making more funds available against disruptive capital movements, ramping up regional surveillance of country policies and extending these schemes to more countries.

(Excerpted from the *UN-ESCAP Press Release No.: G/34/2006, 31 August 2006*).
© UN-ESCAP Press Release.

India's Rise is in Everyone's Interest

Australian High Commissioner to India, Mr John McCarthy, in his inaugural address at a seminar on 'Rising Convergence : Australia, India and East Asia,' said that "India's rise is the single most significant event in the emergence of secondary power structures in the world. India's rise is in everyone's interests."

He also said that East Asian countries must move beyond free trade agreements and economic cooperation and re-look at regional architectures.

Further elaborating, he mentioned that since the India's

'Look East' policy had taken off, India's trade with China, Korea and Japan had increased. Moreover, Australia's exports to India, over the last six years, had grown by 25 per cent and were now on a par with Australia's exports to the US.

On the differences between India, China and other developing Asian nations, he said, a multi-polar Asia was better than a uni-polar Asia. "If this century belongs to Asia, it will be wrong to see China as a threat to India or any other nation," he said.

(Excerpted from the *Hindu Business Line, 17 September 2006*).
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Greater ASEAN Integration a Stepping Stone to Pan-Asian Integration

At the Programme of Seminars, held in conjunction with the IMF/World Bank annual meetings in Singapore, ASEAN Secretary-General, Ong Keng Yong and the President of the Asian Development Bank, Haruhiko Kuroda were of the opinion that greater ASEAN integration will help to turn the dream of pan-Asian integration into reality. With a combined GDP of US\$ 861 billion and total trade of US\$1 trillion in 2005, ASEAN is a sizeable economic entity in Asia.

At the seminar, organised by ASEAN Secretariat and Research and Information System for Developing Countries (RIS), India, Mr. Ong said, "With pan-Asian integration, our programme for what we call narrowing the developmental gap among ASEAN countries would have to accelerate and on top of that, the more developed countries like Thailand, Malaysia

and Singapore would have to see how they can help less developed ASEAN economies go into the global economy." He added that there is strong political will among the Southeast Asian leaders to achieve regional integration.

Further Mr Ong said, "All leaders don't want to be the third basket. In the old days, everyone got into China. Now, they see India rising and India is a good second basket, does that mean ASEAN is the third basket? We have to be a good second basket whichever the first basket, but we must be a good second basket and the only way to do this is to get every one of us together. All ten countries with 550 million people, then we can go far, be a reckoning that investors will pay attention to."

(Excerpted from the *Mediacorp News, 16 September 2006*).
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Asians are World's Biggest Shopaholics

Two international ACNielsen recent global online surveys conducted among over 22,000 Internet users in 42 countries, about consumers' attitudes towards shopping have revealed that the world's biggest shopaholics are none other than the Asians. Seven of the top 10 nations who shop once a week simply to amuse themselves hail from Asia.

According to them one in four consumers shop 'as a form of entertainment' once a month, while in Asia, one in four consumers view shopping as 'something to do' once a week. Around 32 per cent of Indians go shopping once a month whereas 22 per cent of them indulges in it once a week.

In the cities, with the increasing number of malls and multiplexes shopping

stores, shopping has almost become a national pastime in this region. However clothes shopping vs. grocery shopping are two very different experiences for shoppers.

The survey confirmed that Russians, Japanese, Hungarians and Swedes find clothes shopping as "therapeutic" where as India and China embraced clothes shopping with unbridled enthusiasm and consider it as their favourite. Seventy one per cent of Indian consumers describe grocery shopping as a necessary chore, compared to 46 per cent who said that clothes shopping were a necessary chore.

(Excerpted from the *Financial Express, 6 July 2006*).
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Japan Open for Economic Partnership Agreement with India

Given India's growth performance of 8 per cent, Japan has expressed its willingness to enter into an economic partnership agreement with India. The Japanese Vice-Minister of Economy, Trade and Industry, Yutaka Kobayashi, stressed on co-operation in the area of information communication and technology (ICT).

The Minister also showed keen interest in having more collaboration between CII, the Manufacturers' Association of Information Technology (MAIT) and the Japan Electronics and Information Technology Industries Association (JEITA). MAIT and JEITA also signed a MoU to support activities such as

seminars and training and also facilitate the exchange of both academics and business professionals.

MAIT and JEITA would together disseminate information to their members about business interests expressed by Indian and Japanese IT enterprises. Speaking on the occasion, Mr P Rajendran, Member, CII and COO of NIIT Ltd said that electronics and information technology is an extremely important area for Indo-Japanese co-operation.

The Eight fold initiative agreed upon by the Prime Ministers of the two countries states that the joint Task force on ICT and ICT Forum will be utilized to develop a

roadmap for increased ICT co-operation.

He called upon Japanese companies to establish large manufacturing facilities in India to be able to enjoy a significant share in growing market for consumer durables like TVs, CD/ DVD players, audio equipment and other entertainment products.

The *Financial Times* (7 September 2006) reported that India and Japan's electronics industry associations have signed an agreement aimed at drumming up more Japanese investment to tap India's rapid growth and catch up with rivals such as Samsung and LG of South Korea. The move signals that Japan is waking to the

potential of India not only as a manufacturing base for exports but also as a burgeoning domestic market.

Japan has invested heavily in India's automotive industry for more than two decades, fostering successes such as Maruti Udyog, a joint-venture with Suzuki of Japan, that is India's largest passenger car maker. But Japan's investment in electronics and IT in India remains small. Japan has clung to high-end IT and electronics manufacturing and moved lower end work to factories in China.

(Excerpted from the *Economic Times*, 5 September 2006 and *The Financial Times*, 7 September 2006).

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India, China to Achieve \$20-b Trade

At a meeting organised by the Federation of Indian Chamber of Commerce and Industry (FICCI) between members of a delegation from Beijing's Chaoyang District and representatives of Indian industry, Mr Zheng Quingdian, Minister Counsellor, Embassy of the People's Republic of China, said that the target of reaching trade volumes of \$20 billion between India and China by 2008 will be achieved ahead of time.

He further said that China has become India's third largest trading partner and India has emerged as China's largest trading partner in South Asia. The deepening bilateral trade and economic relations between India and China had paved the way for speedier growth of the economies

of the two countries. This had helped increase the share in international trade, enhance the overall bilateral relationship and upgrade the living standards of the people.

The growing investment ties and economic cooperation between China and India could be gauged from the fact that in 2005, over 150 Indian enterprises, including Ranbaxy, Tata Consultancy Services and Infosys set up branches for over 1,000 projects in China. Dozens of Chinese companies have also established representative offices and taken up infrastructure construction in India.

(Excerpted from the *Hindu Business Line*, July 11, 2006).

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Asian Factory Output Gains from Diversity

Recent data suggest that factory production in much of Asia appears robust; a sign that demand from Europe plus intra-Asian trade will support Asian economies even if there is a slowdown in the United States.

Analysts have agreed that Japan, South Korea, India and Singapore all reported stronger-than-expected industrial output and suggested that the pace of growth would also accelerate. However, Asian industrial production is likely to be hurt by a slowing economy in the United States, a major export destination.

Economists consider production data as the main component of most Asian

economies because of its close correlation with export performance despite growth in domestic demand. As with exports, strong global demand for electronics has helped bolster factory output in Asia.

Japanese, South Koreans and Singapore's industrial production rose quite strongly.-than-expected.

Analysts believed that in India, industrial production has been receiving a boost not only from global demand but also from government efforts to encourage development of the industrial sector.

(Excerpted from the *International Herald Tribune*, 2 August 2006).

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India a Better Place to Invest - Forbes Survey

In view of the latest survey of *Forbes* magazine, India is a better place to invest vis-a-vis China. It points out that there is more to India's economy than information technology outsourcing, as it is dominated by banking, energy and manufacturing groups. Further it also revealed that India's clear advantages are its democracy, rule of law, fluency in English language and half of its population being under the age of 25.

It points out that India's big three in IT-TCS, Wipro and Infosys Technologies- "together have only 40 per cent of the sales of

Reliance Industries, the energy, chemicals and textiles conglomerate that tops our list." The list is not gauged by size alone; profits, assets and market value have also been taken into account.

Incidentally the richest Chinese' net worth at US\$ 1.64 billion is less than that of the 10th richest India's US\$ 3.1 billion. Interestingly, India has 27 billionaires, against only 10 of China, and the 40 richest Indians have a collective net worth of US\$ 106 billion against the 40 richest Chinese with a collective net worth of only US\$ 61 billion.

The *Financial Express* (6 September 2006) reported that according to the IFC's report, "Doing Business 2007," India has quite successfully managed to match China in ensuring speedy approvals for starting a business. In India setting up new business shops takes exactly same time, i.e 35 days as it takes in China.

(Excerpted from the *Hindu Business Line*, 1 August 2006 and *Financial Express*, 6 September 2006).

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Opportunities in a New Asia : China, India and ASEAN in-between

Goh Chok Tong, Senior Minister,
Singapore

There is something special about Asia as Asia has bounced back. Asia had many problems and will definitely face many big challenges in the future. But in such a short time, never in human history has the world seen such large-scale reduction in poverty and the improvement in living standards for billions of people.

Over the next couple of decades, Asia's bright prospects will continue to surge, led by the re-emergence of India and China, and a revitalized ASEAN. Alongside, Japan will also remain an important player in Asia. However, in spite of its mature economy, Japan would not grow as fast as India and China.

On India's Independence Day, Prime Minister Manmohan Singh said that India is "certainly on the march." Today, India has been attracting attention from foreign investors and world leaders alike worldwide. During the past decade, India grew by an average of 6.5 per cent per year and its growth was even higher at 8 per cent per annum, particularly over the couple of years.

I believe that India will continue to grow at a fast pace for two main reasons. Firstly, India's inclination towards the pragmatic policies supporting reform and liberalisation, and integration with the global economy. Secondly, India's young large pool of talent, including well-educated English-speaking professionals and workers are its most important strength. Further, India has around 300 universities and 1,500 research institutions which produces over 200,000 engineers and 9,000 PhDs each year.

What will drive India forward is sheer hunger, not the hunger that comes from poverty but the hunger for knowledge and success. The drive and desire of young Indians to succeed is palpable - in top institutions like the IIM and IIT, or the Infosys campus in Bangalore. In addition, for India along with the emphasis on services, there is need to explore new ways to expand its manufacturing sector to create jobs for the large numbers of young people entering the labour market each year.

India has decided to use Special Economic Zones (SEZs) to spearhead the growth of its manufacturing and export sectors. In fact, Singapore and India have agreed to set up an SEZ in India and both sides are now working to implement it.

Vision for a New Asia

An Asian economic community is not only desirable and feasible - it is already emerging, with great potential for consolidating the gains the region has achieved in recent decades. However, the region still faces many large development challenges, for that much remains to be done by Asian countries - individually as well as collectively - to bring such a vision to fruition.

—Asian Development Bank, President, Haruhiko Kuroda's, Speech at the Jeju Summer Forum - International Management Institute, The Federation of Korean Industries, Jeju Island, Republic of Korea, 28 July 2006.

Most analysts project China to continue to grow by 8 per cent per year over the next decades. The government recognises the risks for the country, if growth in the coastal provinces is not spread to the inland provinces. I believe that Chinese leaders have the capability and the will to do what is necessary to sustain China's growth and ensure political and social stability. They are prepared to learn from others, and they learn fast. China will also face the trickier problem of managing the demand for political change and greater political participation as it becomes a middle income country. Nevertheless, I believe that the cohesiveness of Chinese society and the social contract between the government and people would remain in the foreseeable future.

Southeast Asia is strategically positioned between India and China. ASEAN does not regard the re-emergence of India and China as a threat, rather, it is responding in a positive and strategic manner. ASEAN is positioning itself to borrow the strengths of these two giants to boost its growth. ASEAN's total trade with China and India has grown significantly over the past decade. ASEAN is working hard to ensure that FTAs with China and India are completed by 2010 and 2011 respectively. At the same time, ASEAN is also enhancing its links with other economic centres and has been negotiating FTAs with Japan, South Korea, Australia and New Zealand.

The re-emergence of India and China, and the revitalisation of ASEAN are taking place within a broader geo-strategic context. At one level, Asia is slowly but surely coalescing. The entire region is being sewn together by changing patterns of trade, investment and production chains. Increasing economic integration is reflected by the rapid expansion of intra-Asian trade. From 34 per cent in 1980, intra-Asian trade as a share of the region's total trade has grown to more than 50 per cent in 2005. A rising new Asia will usher in a new era of opportunities for the world.

(Excerpted from the speech delivered at the Institute of International Finance, Singapore, 16 September 2006).

Moving Toward an East Asian Community

Yoshio Okawara,
Former Japanese Ambassador to the
US, President of the Institute for
International Policy Studies

Asian countries, following the footsteps of EU and NAFTA, have increasingly been conscious of the necessity to promote regional cooperation, and even regional integration, as a long-term target to ensure the peace and prosperity of the region.

During the Asian financial crisis in 1997, there was widespread discontent among the members of the ASEAN over responses by the U.S. and the IMF, consequently made them realize that intra-regional cooperation is essential to solve strategic issues in the region.

The currency crisis led to the creation of the framework of ASEAN-plus-three (Japan, China and South Korea), within which the Asian members are to cooperate in addressing common issues. In the financial field, swap agreements known as the Chiang Mai Initiative, were concluded at Japan's initiative. China has actively been calling on ASEAN countries since around 2001 to conclude free trade agreements, with the ASEAN-plus-three framework gradually assuming greater significance.

Under such circumstances, the first East Asian Summit was held in Kuala Lumpur in 2005, with the ASEAN-plus-three members and three additional countries- India, Australia and New Zealand. Members of the EAS envision it as a stepping stone to an "East Asian Community" modeled on the EU. Though, it appears that Asia is so diverse and divided in terms of history, culture, language and religion that regional integration may be impossible. In spite of that, the wave of regional integration in Europe and America has prodded Asia pursue action in this direction so as not to be left further behind in building a regional cooperative scheme open to the outside as well.



China has been responding to the momentum by promoting free trade agreements with ASEAN countries while Japan has been advancing the policy of concluding economic partnership agreements. Regardless of all, gradually the grand target of creating an East Asian Community has been envisaged. As an initial step toward that long-range target, there has arisen a mounting movement toward nurturing an East Asian Economic Community through step by step efforts of building blocs of practical cooperation in functional matters.

In the meantime, India as a rising power in Asia has appeared as a new player, and became a member of the ASEAN-plus-six. On the one hand, India has been regarded as a strategic partner by the US and on the other hand, China has been developing close political and economic relations with India. In this scenario, it is becoming clear that India will play an interesting role in the regional cooperation movement in Asia.

However, apprehensions regarding the position of US are very much there as either geographically it cannot be associated with Asian regional integration, nor Asian issues could be considered in a proper perspective. The country, whose strategically structured engagements remain crucial to Asia's peace and stability, naturally would not like to see the ASEAN-plus-three or any other similar institution be dominated by China and be inclined to become anti-American. The alliance between Japan and the U.S. will continue to be the core factor in coping with the evolving Asian situation. At the same time, Japan should more positively be engaged in the growing momentum toward the eventual formation of an East Asian Community, even as a long-term objective.

Logically, it is advisable to emphasize on finances, economic affairs, energy, environment, infectious diseases and so on. Fruitful discussions and cooperation on these functional matters could pave the way to laying the foundations for an economic community. It may take many more years to form a full-fledged East Asian Community, but it is worth embarking down that road and learning along the way.

(Excerpted from *The Japan Times*, 28 September 2006).

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Future Challenges for Asian Economies in Changing World

David Burton, Director,
Asia-Pacific Department,
International Monetary Fund

Asia has recovered from a financial crisis and re-established itself as the most dynamic and rapidly growing region in the

global economy. As the IMF's current *Asia and Pacific Regional Economic Outlook* shows, prospects continue to look good. Economic growth in emerging and industrial Asia is expected to reach 7.25 per cent this year, and remain at about 7 per cent in 2007. Inflation should also remain well contained. Indeed, Asia has shown considerable resilience, reflected by its quick recovery from global financial market volatility. Prospects for capital flows to support investment are solid.

It is true that the global economic environment presents real risks for Asia. Growth in the United States, in particular, remains critical to the region's prospects. Higher oil prices could also reduce growth and push up inflation. On the whole, according to the IMF's current *Regional Outlook*, Asian policymakers will face new challenges as they seek to maintain economic momentum and extend the benefits of rapid growth to all.

First, sustaining Asia's impressive economic performance over the medium term will require a rebalancing of growth, away from a heavy dependence on exports and toward more autonomous domestic demand. Consumption has failed to keep up with the rapid GDP growth, reflecting in part its still young population, which favors saving for the future. Indeed, the prospective aging of much of Asia, which will bring many of its own challenges, should raise consumption over the medium term, in some cases dramatically.

Investment also continues to lag in for small and medium-sized enterprises producing for domestic markets in some countries. Further, expansion of access to bank lending by improving information on credit risk and developing capital markets, including for corporate bonds, would help. Continued development of Asian financial sectors is critical for sustaining rapid growth. Asia's economies have become increasingly integrated with world financial markets, and this has played an important role in the development of its capital markets.

However, it seems that regional financial integration remains much less advanced, and more progress in this area would provide further stimulus for capital market development. Broader development of capital markets would also produce more balanced growth. More people would have access to the savings generated, and be able to share in rapidly growing corporate profits through equity markets.

Regional integration has been progressing well with countries development of domestic bond markets, strengthening market infrastructure, harmonizing rules and practices, removing impediments to cross-border capital flows, and providing financing through the Chiang Mai initiative. Lastly, Asia has been facing a growing divide between rich

and poor. For many years, emerging Asia experienced rapid growth and increased equality—but more recently the region has seen steadily rising inequality and growing polarization prevalent along both geographic and urban and rural lines. However, rising inequality and large income disparities inhibits the process of reduction of poverty and prevents consensus on good policies. These disparities only make for a more volatile macro-economic environment, and lower economic growth over the longer term.

Asia's leaders are well aware of these challenges that require considerable attention in coming years. On the whole, region appears well equipped to meet these challenges and to continue its role as a global leader in the decade ahead.

(Excerpted from the *Jakarta Post*, 18 September 2006).

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Promises and Pitfalls: A Resilient Region Pushes Towards the 'Asian Century'

Asian Wall Street Journal

For years, Asia has been the fastest growing region in the world. China and India, each with a billion plus population are setting the pace and boosting growth among their neighbours.

Recently, Prime Minister of India, Manmohan Singh in his address to the ADB, said that East and Southeast Asia, including India are bound to increase their profile and relevance to the global economy. Asia is once again on the move as millions of people have been liberated from poverty, ignorance and disease.

The financial crisis underscored the importance of constant restructuring and governance reform to cope with the pressures of globalisation. For Asia's two most populous countries, this is particularly important during what is a pivotal period of transformation. China is no longer simply a manufacturer of cheap goods and India is not just a low-cost IT services processor anymore. Same views about India and China were also shared by the Sir Martin Sorrell, group chief executive of WPP, that China has become more important as a service economy. India provides high quality services at the price they deliver. And more and more, India is becoming a manufacturing based economy.

China cannot afford to cruise complacently on the low-cost advantage. It has to bridge widening income gaps particularly between regions. It must aim for sustainable growth with environmental responsibility and needs to stimulate domestic consumption,



build world-class companies turn state-owned firms into competitive enterprises and promote innovation and reform its banking system. Similarly, India should place special emphasis to address persistent infrastructural deficiencies. Despite its success in high-tech services, it must develop a broader manufacturing base to create jobs and lift millions out of poverty. Empowerment of women and education of girls is a must for Indians.

For every Asian country, restructuring success could mean the difference between promise and pitfall. However, there are broader regional risks that could threaten Asia's growth as there are widening gap within countries and within the region as well as between the rich and the poor. According to the ADB between 1990 and 2003, the number of Asian living on less than a dollar a day dropped to about 620 million from about 920 million. But about two thirds of the poor people in the world live in Asia's developing countries.

The key to resolving or at least mitigating the threats to Asian progress is deeper regional integration and cooperation. From pandemics to maritime piracy, from terrorism to energy security, Asia will have to overcome diversity and division to address a host of challenges and keep to the path of growth.

(Excerpted from the *Asian Wall Street Journal*, 19 September 2006).
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India in the Asian Community

Mukul Asher and Rahul Sen,
ISEAS, Singapore

In shaping the Asian Economic Community, there are strong reasons for bringing India in to partner with rest of Asia that includes the countries of the ASEAN along with China, Japan, South Korea, and possibly Australia and New Zealand.

However, in order to have the proper weightage in global affairs, Asia should have an organisation such as the AEC or JACIK which represents Asia in an inclusive and unified manner. India's calibrated globalisation is projected to contribute to about 12 per cent of global economic growth during the 2006-20 period following China and the US, equivalent to 8.8 per cent of global GDP in 2020.

Between 2005 and 2020, India's share of global new jobs is projected to be 30 per cent, the highest of any country. The large size of the Indian economy, and its large youthful worker and consumer base, will provide many profitable business opportunities. The rest of Asia has thus an important stake in India's successful adjustment to globalisation as this would contribute to Asia's stability and prosperity.

ASEAN Looking Beyond towards Strategic Partners

As far as the AEC is concerned, ASEAN is looking beyond just creating a common economic space among its Member Countries. Building on the gains of the ASEAN Free Trade Area, we are now in the process of negotiating various forms of free trade and investment arrangements with ASEAN's key trading partners, namely, China, Japan, Republic of Korea, India, Australia and New Zealand. Based on the progress thus far we are confident that free trade agreements would be in place by 2015.

— *Secretary General of the ASEAN, Mr. Ong Keng Yong's Statement at the 27th General Assembly of AIPO Cebu City, The Philippines, 11 September 2006.*

India's economic growth strategy is based on domestic demand, private entrepreneurship, and relatively more efficient allocation of capital. The share of external sector and FDI though increasing is relatively low. This provides an opportunity to Asian countries to diversify their global risks. This is because growth in other major Asian economies such as Japan, China and South Korea is primarily driven by investments and the external sector, with particular emphasis on manufacturing exports. Investments from India's largely private sector companies are undertaken for strictly commercial reasons. This permits investment risk diversification for Asian countries, particularly those in ASEAN.

The 1997 East Asian crisis underscored the importance of developing East Asia's capital markets, particularly the bond market. India has a thriving government debt market, and is making progress in developing commodity exchanges as an important risk management tool. India's stock market capitalisation of nearly US \$ 600 billion and its large pool of well managed companies have been recognised as an important attraction for discerning investors, including private equity investors.

India's integration with the rest of Asia is for greater, deeper, and of high quality. India ranked as the 5th largest exporter and the 4th largest importer of commercial services in Asia in 2004. The presence of more than 100 of Fortune 500 companies in India undertaking research which may lead to future high technology products suggests that India contributes to a vital part of electronic product-distribution chain. Even in merchandise trade, East Asia accounts for a quarter of India's merchandise trade, higher than the European Union (21 per cent), and the US (12 per cent). China is currently India's second largest trading partner.

India is projected to receive US \$ 12 billion in FDI in 2006. Encouragingly, companies from East Asia, particularly from Japan, South Korea and Taiwan are expected to contribute significant proportion of the total. India's outward flow of FDI is also increasing

significantly. Southeast Asia in particular is expected to be main beneficiary of India's FDI outflows, thus diversifying the region's source of investments and technology.

It is essential that Indian establishment, including the media, contribute constructively and purposely to improving perceptions about India in rest of Asia. The importance of soft power cannot be over emphasised. India still needs to make considerable progress in this area.

India has demonstrated its commitment to partnering the rest of Asia in playing a more meaningful role through its constructive economic cooperation and security initiatives and together enable Asia to take its rightful place in the 21st century.

(Excerpted from the *www.dnaindia.com*, 4 July 2006).
© *www.dnaindia.com*.

India and China Catch the Wind

Keith Bradsher, *The New York Times*

Wind power has been quickly emerging as a serious alternative not just in affluent areas of the world but in fast-growing, energy-starved countries like India and China. Suzlon Energy, a homegrown Indian company has been leading the charge in Western Central India. Suzlon dominates the Indian market and is expanding rapidly abroad, having just erected factories in locations as far away as Pipestone, Minnesota, and Tianjin, China.

Not even on the list of the world's top 10 wind turbine manufacturers as recently as 2002, Suzlon passed Siemens of Germany last year to become the fifth-largest producer in terms of installed megawatts of capacity. Suzlon still trails the market leader, Vestas of Denmark, as well as General Electric of the United States, Enercon of Germany and Gamesa of Spain.

Suzlon has shown how a company can prosper by tackling the special needs of a developing country, and its presence suggests a way of serving expanding energy needs without relying on coal, the fastest-growing

Continued on Page 12

East Asian Finance: The Road to Robust Markets

Swati R Ghosh

IBRD/The World Bank, 2006

ISBN: 10-8213-6743-9



This new World Bank report was released at the World Bank-IMF Annual Meetings in Singapore argues that East Asia needs and is well positioned to enhance its financial systems to meet the growing and increasingly sophisticated demand for financial intermediation in the region. It states that the demands for financial intermediation in the region are changing. In the past, the financial sector focused largely on the needs of the corporate sector. But as per capita income rises, the sector will face growing demands from consumers. At the same time, businesses in the region are looking for a broader range of services, including investment banking services. And with the deepening of intra-regional trade, firms will require cross-border financial services.

ASEAN and East Asian International Relations: Regional Delusion

David Martin Jones and M.L.R. Smith

Edward Elgar Publishing, 2006

ISBN: 1843764911



Academic and accepted orthodoxy maintains that Southeast Asia, and Asia generally, is evolving into a distinctive East Asian regional order. This book questions this claim and reveals instead uncertainty and incoherence at the heart of ASEAN, the region's foremost institution.

The authors provide a systematic critique of ASEAN's evolution and institutional development, as well as a unified understanding of the international relations and political economy of ASEAN and the Asia-Pacific. It is the first study to provide a sceptical analysis of international relations orthodoxies regarding regionalization and institutionalism, and is based on wide-ranging and rigorous research.

Beyond Japan: The Dynamics of East Asian Regionalism

Editors : Peter J. Katzenstein and Takashi Shiraishi

Cornell University Press, 2006

ISBN: 0801472504



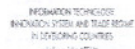
Peter Katzenstein and Takashi Shiraishi in this book argues that East Asia's regional dynamics are no longer the result of a simple extension of any one national model. While Japanese institutional structures and political practices remain critically important, the new East Asia now under construction is more than, and different from, the sum of its various national parts. At the outset of a new century, the interplay of Japanese factors with Chinese, American, and other national influences is producing a distinctively new East Asian region.

Information Technology, Innovation System and Trade Regime in Developing Countries: India and the ASEAN

K.J. Joseph

Palgrave Macmillan, 2006

ISBN: 023000492X



By highlighting the factors that configured the emergence of India as an ICT superpower from the South and limited success of some countries that long since embraced liberal trade regime, this volume highlights the ways to transform the digital divide into digital dividend. Drawing from the detailed case studies of India and five ASEAN countries, it establishes the complementary role of innovation system and trade regime in promoting production and use of ICT and draws lessons for other developing countries that adopted a liberal trade regime to catch up with the ICT revolution.

Emerging Multiplicity: Integration and Responsiveness in Asian Business Development

Sten Soderman

Palgrave Macmillan, 2006

ISBN: 1403991766



The speed of change is increasing and the influence on the global economy and world population is more pronounced than ever. New Asian companies are emerging with global ambitions as old western brands disappear or are overtaken by Asian competitors. How will

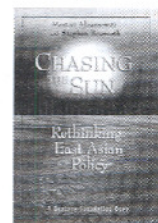
the "old world" respond? How will Asian economies continue to develop and what will define success and failure? In this book many Euro Asian experts have presented conceptual and empirical regional research that reflects the emerging multiplicity in Asia and offers comprehensive answers to such questions.

Chasing the Sun: Rethinking East Asian Policy

Morton Abramowitz and Stephen Bosworth

Century Foundation Press, 2006

ISBN: 0870785001



Chasing the Sun addresses major policy problems of East Asia from the management of our relations with China to the North Korean nuclear problem to the growth of East Asian regionalism. The book answers how, in light of East Asia's growing power and influence, the United States can retain influence commensurate with its interests. The transformation of the region requires us to ask whether some longstanding perspectives are still relevant, as well as what changes are needed in American policy.

Essays on East Asian Capital Markets: Integration and Implications for Economic Activity

Feng Guo

ProQuest/UMI, 2006

ISBN: 0542060590



This book assesses two important aspects of capital markets in East Asia: (a) financial integration and its volatility and (b) feasibility of forming an optimum currency area. The first aspect focuses on the impact of the financial regime on real activity. It examines the evidence on saving-investment correlations and the covered interest parity conditions to gauge the degree of financial integration in eight East Asian emerging markets. The second aspect reviews the theory of optimum currency areas, exploring the impact of underlying real behaviour on the choice of the monetary regime. This investigates the feasibility of creating a currency union in East Asia following the monetary cooperation in recent years.

Strategic Consequences of India's Economic Performance

Sanjaya Baru

Academic Foundation,
2006

ISBN: 8171885586

Analyzing shifts in global power in the post Cold War era, this study targets the ongoing evolution of India's economics and geo-politics. Various vital issues are discussed, including new economic policies, the emergence of a confident professional middle class, rapid progress toward an open society, and the future of nuclear power. Bold and insightful, these essays confirm India's rise as a free-market democracy.



Regional Economic Integration, Volume 12 (Regional Economic Integration)

Editor: Michele Fratianni

JAI Press, 2006

ISBN: 0762312963

Distance and borders are two important reasons for the bias and are a powerful deterrent to globalisation. Also, multinational corporations the organisations that best symbolize the concept of globalisation, do not have a global reach, but rather focus their activities within an area surrounding the home market. These facts suggest that regionalisation and not globalisation is the appropriate characterization of today's economic environment.

This volume explores the drivers of cross-border trade and the forces underlying the expansion of the border from the nation to the regional trade area. The findings of this research cast some doubts on the practicality of striving for a more globalised trade system through costly and time-consuming trade rounds populated by a myriad of players with their agendas and conflicts? Would it not be better to let the world fully play out the regional option before implementing a more global strategy?

Monetary And Financial Integration In East Asia: The Way Ahead

Asian Development Bank

Palgrave MacMillan; Boxed edition, 2006

ISBN: 1403934053

Since the 1997 Asian financial crisis, countries in East Asia have made efforts to promote regional monetary and financial cooperation to complement the evolving international financial architecture. These developments in some ways represent a significant break from the past. Going forward the key challenge is how to set priorities and sequence developments so as to smooth the path to a new regional financial architecture. This two-volume set takes up the issue of developing a road map of policy options, both at the regional and country levels, for carrying forward the ongoing efforts in monetary and financial cooperation in East Asia. Building on a series of core reports and background papers by eminent economists and policymakers around the world commissioned under an ADB technical assistance project, the book explores what is feasible and desirable in regional monetary and financial cooperation and lays out a road map for putting the concept into action over the next several years.

East Asia: Between Regionalism and Globalism

Editor: Gennady Chufrin

ISEAS, 2006

ISBN: 981-230-397-9

The book analyses modern tendencies in the development of regional economic cooperation in East Asia which is considered by regional countries as their response to growing challenges of globalisation. Trying to protect their national interests by collective efforts they are promoting regional commercial, investment, and financial cooperation as measures aimed at improving the efficiency of their economies. These steps however are not regarded as a counterweight to globalisation but merely directed against most negative manifestations of the latter and in fact are realized as one of the forms of globalisation at the regional level.

Dancing with Giants: China, India, and the Global Economy

Editors: L. Alan Winters and Shahid Yusuf

World Bank and the Institute of Policy Studies, 2006

ISBN: 10-0-8213-6749-8

The present book touches on important aspects of the growth of China and India - the Giants. It highlights some of the major implications of the Giants' growth for the world economy and hence for other



countries, drawing on new research and on the burgeoning literature on China and India. Three chapters focus on the Giants' interactions with other countries through the evolution of their industrial capability, their international trade, and the international financial system. The two chapters consider possible constraints and influences on their growth and one combines the analysis of local constraints and global perspectives on energy and emissions.

Asian Juggernaut: The Rise of China, India and Japan

Brahma Chellaney

Harper Collins, 2006

ISBN: 8172236506



Clearly, the centre of gravity of world affairs is moving to Asia, and all the major actors on the international stage are defining new roles for themselves in that vast continent. As these powers, including China, India and Japan, seek to carve out new, larger roles for themselves or forge fresh equations between and among themselves, the stage has been set for greater cooperation and competition in Asia.

Regional Cooperation for Asian Energy Security

Vipul Tuli

This paper attempts to convey three key messages: First, inter-dependence in energy among Asian countries is vital for the economic development of key Asian countries. Second, there are several key impediments to increasing Asian inter-dependence; addressing these impediments is critical. Finally, we suggest some ideas on opportunities for Asian nations to find a common ground on energy security, stability and sustainability.

(RIS Discussion Paper, No. 112, 2006).

Estimation of Asian Effective Exchange Rates: A Technical Note

San Sau Fung, Marc Klau, Guonan Ma and Robert McCauley

Bank for International Settlements, Monetary and Economic Department, October 2006.

Abstract: Discussion of exchange rate policy in Asia would benefit from appropriate measures of exchange rates on a multilateral basis. The purpose of this paper is to refine the construction of the effective exchange rates

(EERs) for Asian economies, to make allowances for the role of Hong Kong SAR as an entrepôt and to reflect the fast-growing intra-regional trade. For the scenarios under consideration, it turns out that adjusting for re-export trade through Hong Kong SAR is generally more important in the determination of trade weights than updating the base year. The proposed refinements have important policy implications, particularly in estimating the relative sizes of currency blocs, should the region's exchange rate policies become more oriented to trade baskets than to bilateral dollar rates.

(BIS Working Papers No. 217 October 2006).

Continued from Page 9 (Opinions)

fossil fuel and the most polluting. And Suzlon's future is likely to be a case study of how a manufacturer copes with China, both in capturing sales there and in confronting competition from Chinese companies. The company is a product in many ways of India's dysfunctional power distribution system.

With natural gas prices climbing as well, wind turbines have become attractive to a wide range of businesses in India. Essar Group of Mumbai, a big industrial conglomerate active in shipping, steel and construction, is working on plans for a wind farm near Chennai, after concluding that regulatory changes in India have made it financially attractive.

To minimize land costs, wind farms are typically in rural areas, chosen for the strength of their winds as well as low land prices. The new Suzlon Energy wind farm in Khoris is a subject of national pride. More than 300 giant wind turbines, with 33-meter, or 110-foot, blades, generate electricity from the air. Suzlon has expanded rapidly as global demand for wind energy has taken off. Demand for wind turbines has particularly accelerated in India, where installations rose nearly 48 per cent last year, and in China, where installations climbed 65 per cent last year, although from a lower base. Coal is the main alternative in India and China, and it is causing acid rain and respiratory ailments while contributing to global warming.

China accounted for 79 per cent of the world's growth in coal consumption last year while India represented another 7 per cent, according to BP statistics. China has imposed a requirement that power companies generate a fifth of their electricity from renewable sources by 2020. India already leads China in wind power and is quickly building more wind turbines.

(Excerpted from the *International Herald Tribune*, 28 September 2006).

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Further Readings

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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

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Research and Information System
for Developing Countries

Core IV-B, Fourth Floor
India Habitat Centre
Lodhi Road, New Delhi-110 003, India.
Ph: 91-11-24682177-80
Fax: 91-11-24682173-74-75
Email: dgoffice@ris.org.in
Websites: <http://www.ris.org.in>
<http://www.newasiaforum.org>

Associate Editor: Beena Pandey