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**Will Asia come together?**

*Several issues need to be resolved to make way for successful Asian economic regionalism*

**By RAMKISHEN S RAJAN**

WHILE 'Asian economic regionalism' has been a topic of long-standing debate in academic and policy arenas, there has been a particular heightening of interest in the subject over the last few years. This is due to a number of reasons.

The first is the contagious effects of the Asian economic crisis of 1997-98, along with the perceived inadequate responses to the crisis by multilateral agencies and extra-regional economic powers like the United States and the European Union.

The second is some notable external developments in regionalism, including hesitant moves to create a Free Trade Area of the Americas (FTAA), and, more importantly, the enlargement of the EU and the successful launch of the euro.

The third is the rapid and sustained growth in, and consequent economic emergence of, China and India, and the realisation that these two emerging Asian giants have been altering the dynamics of the global economy and will continue to do so for some time to come.

Despite the attention paid to the issue of Asian economic cooperation, a fundamental question has remained unanswered: How should one define 'Asia' as an economic entity - one that remains open to the rest of the world, but integrated internally in a market, rather than institutional, sense?

While everyone would recognise the infeasibility of including all the 40-plus 'Asian' members of the Asian Development Bank (ADB) or the United Nations Economic and Social Commission for Asia and the Pacific (UN-Escap), even something narrower like the 22-member Asian Cooperation Dialogue (ACD) Forum inspired by the Thai prime minister, Thaksin Shinawatra, may be too broad.

As has been made apparent by the Asia Pacific Economic Cooperation (Apec) Forum, an overly broad-based membership will make any sort of Asian economic alliance far too unwieldy and ineffective, as well as being susceptible to the 'convoy problem' in which progress of the economic alliance is limited by the least willing member.

Assuming there is genuine interest in truly pan-Asian, as opposed to sub-regional, economic cooperation, there is a growing recognition that a logical starting point might be the so-called JACIK - Japan, Asean-10, China, India and Korea. The JACIK would constitute 40 per cent of the world's population and one-third of global national income (in terms of purchasing power parity).

Asean is negotiating, or intends to negotiate, comprehensive trade agreements with China, India, Japan and Korea. All four are Full Dialogue partners of Asean. There is also a high degree of complementarity in development strategies between Asean and China (highly dependent on

foreign direct investment and labour-intensive manufacturing), on the one hand, and Japan, India and Korea (strong domestic corporations and local entrepreneurship), on the other.

India has rapidly emerged as a leading provider of offshore services. Outsourcing to India has not only involved low-to-mid skill areas like routine data-crunching tasks, but also more sophisticated and skills-based services including software development, research and development, financial portfolio analysis, patent writing, and product design and development.

Less well known is the country's growing competitiveness in some segments of manufacturing such as auto components. India is slowly but most definitely becoming a key component of the regional value-added chain. With India's favourable demographics (a rising proportion of the population will be in the working age group over the next few decades), and latent potential, if India continues on its path of economic reforms, tackles governance issues, and alleviates some of the supply-side constraints and microeconomic distortions, it promises to continue to be the best - or at least second best - performing major economy over the medium and longer-terms.

Continued pursuit of India's decade-long 'Look East' policy is belatedly but rapidly integrating India with the rest of East Asia, with countries like Singapore and Thailand engaging much more intensively with India in recent years.

Indeed, both these Asean members are negotiating bilateral free trade agreements (FTAs) with India. Sub-regional cooperation between India and some of the Asean members such as Vietnam, Thailand, Myanmar, and Laos has also accelerated. India-Korea economic relations are also significant and rapidly growing. Korean companies are enhancing their global capabilities and capacities by teaming up with Indian firms and accessing Indian knowledge professionals.

The broadening and deepening of bilateral economic and strategic links between China and India that has been taking place in the last few years has the potential to dramatically alter the Asian landscape both economically and strategically over the medium and longer-terms. Yet, this growth story in bilateral linkages has gone virtually unnoticed in other parts of Asia, including South-east Asia.

Apart from the issue of whether India should be included in regional initiatives in Asia on a systematic basis, others have suggested that, geography - as well as culture perhaps - notwithstanding, Australia and New Zealand should also be included in view of the close economic ties these two countries have with the rest of Asia. The case for their inclusion is strong. Clearly this membership issue will remain a live wire that will not be resolved easily.

However, it is important to keep in mind that attempts to exclude important Asian players in any alliance could lead the spurned parties to take defensive or reactionary strategies whereby they attempt to create their own intra- or extra-regional groups. This in turn could spawn a number of cross-memberships between alliances, giving rise to a highly complex, and rather untidy, patchwork quilt of ineffectual and competing alliances in Asia.

The inability to develop a cohesive Pan-Asian alliance will always limit the potential influence Asia might have in global affairs - compared to Europe, for instance - despite the shifting of economic gravity to the region.

The principal lesson that Asia should take away from European integration is not how to establish a common currency or a region-wide central bank; it is something much more basic. Europe has

been able to shed the Cold War-induced estrangements, tensions and biases, and is consciously building a 'New Europe' by expanding membership Eastwards.

Can Asia similarly rise to the challenge and look forward with foresight and optimism rather than be held hostage to the past? The need of the hour in Asia is credible and visionary statesmanship to drive the process - any takers?

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