
This is an important, well-researched, and timely study on the growing economic co-operation between India and the original five ASEAN member countries (Indonesia, Malaysia, the Philippines, Singapore, and Thailand, or ASEAN-5) by two well-known Indian academics.

The study carefully surveys available data sources for merchandise trade, trade in service transactions, and investment relations. To analyse merchandise trade relations, secondary data from a variety of national and international sources are used judiciously. The data on international trade and services and for investment relations are, however, not published in as much detail and with requisite frequency and disaggregation as is the case with the merchandise trade. Sarma and Mehta, however, did undertake a limited survey to supplement available data on investment relations between India and ASEAN.

The authors have used approved rather than actual foreign direct investment (FDI) flows; and have not corrected for India’s under-reporting of FDI due to inclusion of only the equity portion of the FDI. In contrast, the ASEAN countries follow international practice of including many non-equity categories, such as venture capital and re-investment, in their FDI data. The Indian authorities are revising their FDI data to be consistent with international practices (Srivastava 2003). Preliminary estimates by the World Bank and others suggest this will raise India’s actual inflow of FDI to around US$8 billion annually from a reported figure of around US$2.5 billion.

The timing and structure of the study have resulted in certain unavoidable limitations. First, while ASEAN now comprises all ten Southeast Asian countries, the study is confined to the original five member countries. This has meant that the implications for India-ASEAN relations of wide gap in expectations, capacities, institutional development, and needs that exists between the more developed members on the one hand and less developed members on the other have not been explored in the study. The difficulty faced by the less developed members in implementing the ASEAN Free Trade Area (AFTA) and the ASEAN Investment Area (AIA) has also not been explored. Uncertainty regarding consistent implementation of AFTA (and AIA) provisions by individual member countries has the potential to significantly dilute the anticipated benefits of these initiatives. The ASEAN minus X formula used to implement the AIA (Cambodia, Laos, and Vietnam have been left out from the initial phase of implementation in January 2003) also has the potential to complicate ASEAN co-operation.

Second, with some exceptions, implications of the 1997 economic crisis in Southeast Asia for India-ASEAN relations have not been analysed in detail as the latest trade data available is for 1998. Since the crisis, India has been growing at a faster rate than the ASEAN-5, as well as ASEAN as a whole. Thus, during the 1996–2000 period, the ASEAN-5 grew at an average annual rate of 0.7 per cent while ASEAN as a group grew at 1.4 per cent. In contrast, India grew at an annual rate of nearly 6 per cent. This, along with sharp currency depreciation in ASEAN since 1997, has resulted in considerable narrowing of the gross domestic product (GDP) gap (valued at market exchange rates) between India and ASEAN. Thus, the study indicates that while in 1995 the ASEAN-5’s GDP was 190 per cent of India’s GDP, by 1999 the corresponding figure was only 111 per cent (Table 4.2, p. 77). ASEAN’s per capita income at around US$1,000 is still twice that of India, providing the latter with significant market opportunities.

Of course, ultimately what matters are not just the GDP growth, but the capacity and political, economic, and other institutions of each country to participate meaningfully in the global economy of the twenty-first century. It would have been useful if the authors had provided a brief overview of these aspects for India and each of the ASEAN-5 countries.

The above limitations, however, do not reduce the importance of the main finding of the study. It
is that the beginning of the process of more intensive economic (and political) engagement between India and ASEAN witnessed since the early 1990s is solely rooted in economic logic, and therefore the deepening and widening engagement has the potential to significantly enhance mutual welfare. This strongly suggests that India’s Look East Policy, and ASEAN’s willingness to deepen engagement with India through full dialogue partnership in 1996, and the ASEAN Plus One Summit in 2002 are well conceived.

The main empirical evidence supporting the basis for greater economic engagement is provided in Chapters 5 to 7 of the book. The authors find that India and ASEAN did not compete in a large number of their respective exports in the world market (p. 339). Moreover, trade between India and the individual countries of ASEAN is also anchored on complementary products (p. 490). Even when competitive products were involved, there is evidence of bi-directional trade. This analysis is based on past statistical relationships. However, extensive ongoing structural change in the Indian economy and the 1997 Southeast Asian crisis require more nuanced interpretation of results and extensive discussion of the qualitative implications of these changes than provided in the study.

The authors also find that since the crisis, ASEAN’s reliance on India as an export market has increased considerably. There is also evidence that India’s trade with ASEAN has exhibited greater diversity among both trade partners and products in recent years.

Developments subsequent to the completion of the book support the essential soundness of their conclusions. For example, India and Singapore have set up a Joint Study Group to explore Comprehensive Economic Co-operation Agreement (CECA). The group is expected to submit its report by mid-2003. Several Indian states are interacting with Singapore and Malaysia to strengthen co-operation and learn from the success of the ASEAN members. Singapore has concluded bilateral free trade type arrangements with non-ASEAN states such as New Zealand, Japan, and the United States, and is negotiating with others. It is therefore expanding its economic space beyond ASEAN.

India and Thailand are also considering a formal economic co-operation arrangement. India and ASEAN as a group are exploring a free trade area to be made operational early next decade. India is attempting to expand its economic space by negotiating co-operation agreements not just with ASEAN countries, but also with South Africa, Brazil, Chile, and others.

As India’s vision of becoming a developed nation by 2020 continues to be translated into domestic reform initiatives and greater integration with the world economy, there will be more opportunities to ASEAN and other economic partners for mutually beneficial co-operation.

Increasing density of relations between India and ASEAN augurs well for Asia. This book deserves wider reading, not just in India but also in ASEAN. There are varied and exciting research areas relating to the future of India-ASEAN relations. These could include the role of the Indian diaspora in Southeast Asia in further synergizing the relationship; sectoral co-operation such as in education, information and communications technology (ICT), tourism, and infrastructure; feasibility of subregional co-operation such as Mekong-Ganga and Bay of Bengal community; and bi-directional manpower flows (Asher, Sen, and Srivastava 2001).

It is hoped that researchers from India and ASEAN will be motivated by this important study to carry the research agenda forward.

REFERENCES


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