ASEAN-South Asia Economic Relations

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The ASEAN Economic Research Unit is an integral part of the Institute, coming under the overall supervision of the Director who is also the Chairman of its Management Committee. The Unit was formed in 1979 in response to the need to deepen understanding of economic change and political developments in ASEAN. The day-to-day operations of the Unit are the responsibility of the Co-ordinator. A Regional Advisory Committee, consisting of a senior economist from each of the ASEAN countries, guides the work of the Unit.

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ASEAN-South Asia Economic Relations

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Indian Council for Research on International Economic Relations
and
The Marga Institute
in collaboration with
ASEAN Economic Research Unit
Institute of Southeast Asian Studies

Published by
Institute of Southeast Asian Studies
Heng Mui Keng Terrace
Pasir Panjang
Singapore 0511

ISBN 9971-902-98-2

Printed and Bound by KIN KEONG PRINTING CO. PTE. LTD. – Republic of Singapore.

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Foreword

The Institute of Southeast Asian Studies (ISEAS) is an autonomous research centre for scholars and other specialists concerned with modern Southeast Asia, including ASEAN. Reflecting this interest, there are several region-wide programmes in economics, politics, and social change based at the Institute. Of particular importance is the work of the ASEAN Economic Research Unit (AERU).

Established in 1979 in response to the need to deepen understanding of economic change and political developments in ASEAN, AERU is guided by an Advisory Committee consisting of senior economists from the ASEAN countries. It has progressed steadily and now has more than twenty-five projects under way or at various stages of completion, with several more in the pipeline. Together, these projects encompass all the priority areas for research recommended by the group of experts invited to the inauguration of the Unit: namely, Investment, Industry and Trade; Finance and Monetary Aspects; Food, Energy and Commodities; Transportation/Shipping; and Political Factors in ASEAN Economic Co-operation.

The largest number of AERU projects come under the broad heading of "Investment, Industry and Trade". Within this group, those relating to ASEAN's economic relations with its main trading partners are the most prominent, and the project on ASEAN-South Asia Economic Relations falls into this category. It consists of a review of economic relations between the individual ASEAN countries and South Asia on the one hand, and those between the countries of South Asia and ASEAN on the other.

The project was a joint undertaking between the Indian Council for Research on International Economic Relations, the Marga Institute, Colombo, and the Institute of Southeast Asian Studies, and the co-ordinators of the project were Dr Charan Wadhva, Professor of Economics and Marketing, Indian Institute of Management, and Dr Mukul Asher of the Department of Economics, National University of Singapore.

This is perhaps the first study of its kind on South Asia and ASEAN. It is therefore hoped that this pioneering effort will stimulate further research on the complexities and possibilities of the relationship between South Asia and ASEAN.

During the course of the study and the preparation of the papers for publication, the Institute received assistance from several individuals and institutions and it would like to record its appreciation of such help. In particular, it is grateful to the International Development Research Centre (IDRC) and the Ford Foundation for financing part of the research costs, to Dr Charan

Wadhva and Dr Mukul Asher for the preparation of the "Overview" for the study and for editing the papers, and last but not least, to all the researchers for their valuable contributions and promptness in meeting deadlines. While wishing all of them the best, it is clearly understood that the responsibility for the statements made and for the accuracy of the information provided in the analyses and the papers rests exclusively with the individual authors, and their views do not necessarily reflect those of the Indian Council for Research on International Economic Relations, the Marga Institute, or the Institute of Southeast Asian Studies or their supporters.

Kernial S. Sandhu
Director
Institute of Southeast Asian Studies

Exchange Rates[a] of ASEAN and South Asian Countries

Country	US $ equivalent	Currency per US $
ASEAN		
Indonesia (Rupiah)	0.0010217	978.75
Malaysia (Ringgit)	0.4263483	2.3455
Philippines (Peso)	0.0716846	13.95
Singapore (Dollar)	0.4686036	2.134
Thailand (Baht)	0.0435398	22.9675
SOUTH ASIA		
Bangladesh (taka)[b]	0.040323	24.80
India (Rupee)	0.0976563	10.24
Nepal (Rupee)[b]	0.069930	14.30
Pakistan (Rupee)	0.0757576	13.20
Sri Lanka (Rupee)	0.0410172	24.38

[a] Rates on 26 October 1983.

[b] Official rate on 17 October 1983.

An Overview

Mukul G. Asher
and Charan Wadhva

I. INTRODUCTION

The period since 1970 has witnessed many important changes in the world economy. Firstly, the rise of the OPEC (Organization of Petroleum Exporting Countries) resulted in sharp increases in energy prices in 1973 and 1979. Besides posing the problems of adjustment to such high energy costs and of the recycling of petro-dollars, OPEC has also had a profound psychological impact. It has demonstrated to the developing world that the international economic structure can be changed to their advantage. While the success of OPEC has not been repeated in other areas, it did provide an impetus to calls for restructuring the present world order to one that would be less disadvantageous to the developing world.

Secondly, there have been considerable changes in the structure and location of world production in the different geographical regions. This has meant increasing heterogeneity among the developing countries.

Thirdly, the above changes in structure and location of production would normally have meant smooth restructuring in the developed countries as new centres of production in Asia and Latin America came into existence. In some locations such as ASEAN (Association of Southeast Asian Nations), transnational corporations played a pivotal role in bringing about such a transformation, while in others, such as South Korea, their role was less pivotal. However, due to various reasons, such as the simultaneous need to adjust to high energy costs, demographic changes, saturation of the traditional consumer-durable goods market, prolonged recession,[1] and so forth, this restructuring has not proceeded at the pace required to keep protectionist forces in check.

Fourthly, the combined effects of slow growth in both the developed and the developing countries and protectionism have led to a slow-down in the growth of world trade.[2]

Fifthly, many developing countries, among them many NICs (newly industrialized countries), such as South Korea, Brazil, Mexico, and semi-NICs, such as the Philippines, borrowed heavily during this period from both the multilateral institutions and commercial banks to finance their economic growth.[3] But the above factors, especially the slow-down in economic growth in the developed countries, and the rise of protectionism, along with high rates of interest in the world markets, have created a debt crisis which is threatening the very foundations of the international financial system. This crisis is also putting unprecedented and intolerable strains on the social and political fabric of the affected countries.

Given the above developments, especially the emergence of a hierachy of countries in the Third World, it would be surprising if there were no attempts to explore the possibilities of expanding economic relations among the developing countries, more commonly known as South-South economic relations. The hope is that such increase in relations will bring about not only an expansion of world trade (that is, it will be trade creating) and thus increase welfare, but will also bring about more equitable relations between countries. Such a transformation is not sought in the spirit of confrontation with the North. It is even likely to be in the interest of the North if it increases real incomes in the Third World, and improves the atmosphere for reform of the domestic and present international economic order.[4] It must, however, be stressed that the privileged position which the North has in the international pecking order is unlikely to be given up without a struggle and without relentless pressure from the South. All one can hope for is that this pressure will be of a constructive kind and will be directed towards finding positive rather than zero or negative sum approaches; and that the North's response will not push the South into actions which would not be in the long term interests of both.

It needs to be emphasized, however, that concrete results in the area of South-South co-operation have been meagre so far. One of the reasons, in our view, has been a lack of concrete proposals and policies which may be pursued towards this objective. Patient, rigorous, and persistent research efforts are a vital link in developing such concrete proposals and policies.

It is our hope that the present study on ASEAN-South Asia economic relations will be a small step in that direction. The Association of Southeast Asian Nations formed in 1967, comprises Indonesia, Malaysia, Philippines, Singapore, and Thailand. For the purposes of this study, South Asia comprises Bangladesh, India, Nepal, Pakistan, and Sri Lanka. It may be noted that the South Asian Regional Co-operation (SARC) grouping formed in August 1983 includes, in addition to the above, two small countries, namely, Maldives, and Bhutan.

This study is divided into two parts. Part I consists of five papers, one on each ASEAN country's economic relations with South Asia. Part II also consists of five papers. For various reasons, a study of Pakistan-ASEAN economic relations could not be included. There are, however, two studies of Bangladesh-ASEAN relations, one on trade and the other, investment relations. The remaining three papers discuss ASEAN's relations with India, Nepal, and Sri Lanka, respectively. The absence of papers concerning political and social aspects of the relations between ASEAN and South Asia is a limitation of this study. This is because both political and psychological factors continue to affect economic relations between these two regions.

In Section II of this overview, some salient economic characteristics of the two regions are described as there are major differences as well as some similarities between the two regions. Since all the papers included in this study follow a broadly similar methodology, especially concerning trade relations, various indices used and their limitations are described in Section III. In the following section, major findings of the study are presented, while in the last section, problems and prospects of economic relations between the two regions are discussed.

II. SALIENT FEATURES

In this section, some of the salient features of the economies of ASEAN and South Asia are presented. The concern here is more with the international than with the domestic aspects. The relevant statistics are provided in Tables 1 to 8. On the basis of these tables, the salient features may be summarized as follows.

1. While the population of South Asia is about 3.4 times that of ASEAN, the latter's GDP (gross domestic product) is about 11 per cent higher than that of the former (Table 1).[5] This, of course, is reflected in the much higher per capita GNP (gross national product) levels of the ASEAN countries. Even the highest per capita GNP among the South Asian countries -- that of Pakistan at US$350 -- is only two-thirds of the lowest per capita GNP among the ASEAN countries --that of Indonesia at US$530. Moreover, the growth rates, whether of real GDP or of GNP per capita, of the South Asian countries are much lower than those of ASEAN, thus implying a widening of income differentials in absolute terms.

2. Data in Table 1 also indicate that while the share of agriculture in GDP is substantially higher in South Asia, the share of manufacturing in India, Pakistan, and Sri Lanka is comparable to that of Malaysia and Thailand, and is much higher than that of Indonesia. This may imply that potential complementarities exist between the two regions.

3. Data in Tables 2 and 3 indicate a much greater level of participation in international trade and much greater export orientation by the ASEAN countries compared to South Asia. ASEAN's shares of world exports and imports in 1981 were 3.64 and 3.75 per cent respectively; while the corresponding proportions for South Asia were only 0.69 and 1.32 per cent respectively. ASEAN exports and imports are also more evenly distributed among its members than is the case in South Asia, where India accounted for about three-fifths of total exports and imports. The average annual growth rate of exports is higher in the ASEAN countries. This is also generally the case for imports. South Asia also appears to be more severely affected by the adverse terms of trade than is ASEAN.

4. Given the above, it is not surprising that the current account is in substantial deficit in South Asia (Table 4). While this is also the case in ASEAN, substantially higher foreign investment in ASEAN has meant fewer balance-of-payments worries. Restrictions on imports have also been generally less in ASEAN than in South Asia. The debt burden as a proportion of GNP is, however, generally lower in South Asia than in ASEAN, though this is not necessarily the case in relation to exports (Table 4). The main implication of the above analysis is that the South Asian countries would have to increase their participation in international trade if they are to avoid crippling balance-of-payment problems. The current uncertain climate for concessional assistance and the wariness of commercial banks to lend to developing countries is likely to leave few options open to the South Asian countries if they are to even maintain their present low growth rates.

5. Tables 5 and 6 provide information concerning the destination of exports of the two regions, and the origins of their imports, respectively. Among the noteworthy features are the substantially greater orientation of ASEAN exports to the industrialized countries, compared to the exports of South Asia. This is, however, largely due to the orientation of exports of Indonesia and the Philippines. Indeed, India's reliance on the industrialized countries as a market for its exports is higher than that of the remaining three ASEAN countries. Surprisingly, India's reliance on the markets of non-oil developing countries for its exports is much lower compared to other countries except Indonesia and the Philippines. However, compared to the ASEAN countries, reliance of the South Asian countries on the markets of the East European Socialist economies for their exports is much greater (7.9 per cent, compared to 1.8 per cent). A similar pattern is also observed in the case of oil-exporting developing economies, the South Asian share being 15.1 per cent, compared to 4.2 per cent for ASEAN (Table 5).

As for the origin of imports, the difference between the two regions is not large as far as imports from the industrialized countries and the developing countries are concerned. The major difference is once again in the imports from the Socialist countries. The South Asian share in this case is 5.6 per cent, compared to 0.6 per cent for ASEAN (Table 6).

The above discussion suggests that there are some complementarities in the destination of exports of the two regions. There is, thus, potential for mutually beneficial collaboration between the two regions. While it is not possible to be very specific at this point, it would seem that ASEAN firms may be able to penetrate the markets of the oil-exporting and Socialist countries better by collaborating with South Asian firms; while the latter may be better able to penetrate the markets of the non-oil developing countries and perhaps of industrialized countries by collaborating with ASEAN firms.

An additional implication of the above analysis should also be noted. As some of the ASEAN countries, such as Indonesia, Malaysia, and the Philippines, face resource constraints, they may want to explore additional modes of trade. Thus, both Malaysia and the Philippines have shown an interest in barter trade,[6] while Indonesia has introduced a counter-purchase policy. South Asian countries have long experience in such modes of trade because of the trading links with the Socialist economies. Thus, potential for mutually beneficial co-operation between the two regions may exist here.

6. The structure of merchandise exports and of imports of the two regions are presented in Tables 7 and 8 respectively. The data reveal that the "Fuel minerals and metals" category is much more important in the exports of the ASEAN countries than in the case of South Asia. Correspondingly, the importance of "Other primary commodities" is greater in South Asia. This is also the case with respect to "Textiles and clothing", though this category is of relatively little importance in Sri Lankan exports. The manufacturing exports exceed 30 per cent only for the Philippines, Singapore, and India.

TABLE 1

ASEAN and South Asia, Basic Indicators

Name of Country/Group	Total Population (millions) Mid-1981	GDP 1981 (US$ million)	GDP Growth Rate (annual) 1970-81 (%)	GNP Per Capita 1981 (US$)	GNP Per Capita Growth Rate (Annual) 1960-81 (%)	Share of Agriculture in GDP 1981 (%)	Share of Manufacturing in GDP 1981 (%)
<u>ASEAN</u>	263.7	198,350	-	-	-	-	-
Indonesia	149.5	84,960	7.8	530	4.1	24	12
Malaysia	14.2	24,770	7.8	1,840	4.3	23	18
Philippines	49.6	38,900	6.2	790	2.8	23	25
Singapore	2.4	12,910	8.5	5,240	7.4	1	30
Thailand	48.0	36,810	7.2	770	4.6	24	20
<u>SOUTH ASIA</u>	895.4	185,620	-	-	-	-	-
Bangladesh	90.7	11,910	4.2	140	0.3	54	8
India	690.2	142,010*	3.6	260	1.4	37	18*
Nepal	15.0	2,420	2.1	150	0.0	57*	4*
Pakistan	84.5	25,160	4.8	350	2.8	30	16
Sri Lanka	15.0	4,120	4.3	300	2.5	28	17

NOTES: * Figure for 1980
- Not available

SOURCE: World Bank, **World Development Report**, 1983, Table 1-3.

TABLE 2

ASEAN and South Asia: Basic Merchandise Trade Indicators, 1981

Name of Country/Group	Total Exports (US$ million)	Total Imports (US$ million)	Total Exports / World Exports	Total Imports / World Imports	Exports as Percentage of Total Regional Exports	Imports as Percentage of Total Regional Imports
ASEAN	66,810	71,866	3.64	3.75	100.0	100.0
Indonesia	22,101	13,520	1.21	0.71	33.08	18.82
Malaysia	11,198	11,581	0.61	0.60	16.76	16.11
Philippines	5,756	8,864	0.31	0.46	8.62	12.34
Singapore	20,970	27,571	1.14	1.44	31.39	38.36
Thailand	6,784	10,330	0.37	0.54	10.15	14.37
SOUTH ASIA	12,599	25,255	0.69	1.32	100.0	100.0
Bangladesh	791	2,542	0.04	0.13	6.28	10.07
India	7,844	15,169	0.43	0.79	62.25	60.06
Nepal	63	195	*	0.01	0.50	0.77
Pakistan	2,881	5,410	0.16	0.28	22.87	21.42
Sri Lanka	1,020	1,938	0.06	0.10	8.10	7.68

NOTE: * negligible

SOURCE: International Monetary Fund (IMF), Direction of Trade Statistics Yearbook, 1982.

TABLE 3

ASEAN and South Asia: Some Indicators Concerning the Growth of Merchandise Trade

Name of Country/Region	Average Annual Growth Rate (per cent)				Terms of Trade (1975=100)	
	Exports		Imports			
	1960-70	1970-81	1960-70	1970-81	1960	1981
ASEAN						
Indonesia	3.4	6.5	2.0	11.9	98	154
Malaysia	5.8	6.8	2.3	7.1	150	101
Philippines	2.2	7.7	7.2	2.6	112	68
Singapore	4.2	12.0	5.9	9.9	100	99*
Thailand	5.2	11.8	11.4	4.9	121	62
SOUTH ASIA						
Bangladesh	6.5	-0.7	7.0	3.5	201	79
India	3.2	4.6	-0.9	2.8	134	66
Nepal	n.a.	n.a.	n.a.	n.a.	n.a.	105*
Pakistan	8.3	3.0	5.3	4.3	102	75
Sri Lanka	4.6	-1.5	-0.2	1.1	203	80

n.a. = not available

* data for 1980

SOURCE: World Bank, World Development Report, 1982, Table 8.

TABLE 4

ASEAN and South Asia: Current Account Balance
and Debt Service Ratios, 1981

Name of Country/Region	Current Account Balance (US$ million)	Debt Service as Percentage of:	
		GNP	Export of Goods and Services
ASEAN			
Indonesia	- 736	2.4	8.2
Malaysia	-2911	1.7	3.1
Philippines	-2286	2.3	9.9
Singapore	-1750	1.8	0.8
Thailand	-2560	1.7	6.7
SOUTH ASIA			
Bangladesh	-1016	0.8	6.9
India	-4040	0.6	8.9*
Nepal	- 19	0.2	1.6
Pakistan	- 936	1.8	9.6
Sri Lanka	- 441	2.1	5.7

* data for 1979

SOURCE: World Bank, op. cit.

TABLE 5

Destination of Exports of ASEAN and South Asia, 1981
(Percentage of total)

Exports From / To	Industrial Countries	Oil-Exporting Developing Economies	Non-Oil Exporting Developing Economies	USSR, Eastern Europe etc.	All others
ASEAN	63.0	4.2	29.3	1.8	1.7
Indonesia	90.0	0.3	7.3	0.5	1.9
Malaysia	51.4	2.4	40.9	2.9	2.4
Philippines	73.7	5.4	16.6	2.7	1.6
Singapore	40.7	7.0	49.7	1.2	1.4
Thailand	54.2	10.0	29.3	5.1	1.4
SOUTH ASIA	49.7	15.1	26.1	7.9	1.2
Bangladesh	33.9	9.2	48.4	8.5	*
India	58.0	12.2	19.1	10.2	0.5
Nepal	43.4	0.0	44.0	0.0	12.6
Pakistan	35.0	25.7	36.4	2.9	0.0
Sri Lanka	40.3	13.3	32.2	4.0	10.2
Non-Oil Developing Countries	56.6	7.1	23.8	6.6	5.9

* negligible

SOURCE: Computed from IMF, Direction of Trade Statistics Yearbook, 1982.

TABLE 6

Origin of Imports of ASEAN and South Asia, 1981
(Percentage of total)

To / Imports From	Industrial Countries	Oil-Exporting Developing Economies	Non-Oil Exporting Developing Economies	USSR, Eastern Europe etc.	All others
ASEAN	55.7	18.4	22.7	0.6	2.6
Indonesia	70.0	8.3	17.2	1.0	3.5
Malaysia	62.7	8.3	25.7	0.8	2.5
Philippines	58.0	22.8	16.4	0.2	2.6
Singapore	46.2	25.4	25.9	0.3	2.2
Thailand	52.8	20.4	23.2	0.6	3.0
SOUTH ASIA	51.5	20.2	19.7	5.8	2.8
Bangladesh	38.9	21.5	22.0	3.4	15.2
India	55.9	17.1	17.1	8.3	1.6
Nepal	38.8	-	61.2	-	0.0
Pakistan	49.1	27.5	21.3	2.1	0.0
Sri Lanka	47.6	23.9	27.9	0.4	0.2
Non-Oil Developing Countries	58.4	15.3	17.5	4.3	4.5

- = nil or negligible

SOURCE: World Bank, op. cit.

TABLE 7

ASEAN and South Asia: Structure of Merchandize Exports, 1980
(In per cent)

Name Country/Group	Fuels, Minerals and Metals	Other Primary Commodities	Textiles and Clothing	Machinery and Transport Equipment	Other Manufactures
ASEAN					
Indonesia	76	22	1	0	1
Malaysia	35	46	2	11	6
Philippines	21	42	6	2	29
Singapore	28	18	4	26	4
Thailand	14	57	9	6	14
SOUTH ASIA					
Bangladesh*	0	34	49	1	7
India*	7	34	22	7	30
Nepal	0	69	24	0	7
Pakistan	7	43	37	2	11
Sri Lanka	14	74	7	0	5
Low-Income Countries	18	37	18	4	3
Middle-Income Countries	36	27	9	10	18

* data for 1979

SOURCE: Ibid.

TABLE 8

ASEAN and South Asia: Structure of Merchandize Imports, 1980
(In per cent)

Name of Country/Group	Food	Fuels	Other Primary Commodities	Machinery and Transport Equipment	Other Manufactures
<u>ASEAN</u>					
Indonesia	13	16	6	34	31
Malaysia	12	15	6	39	28
Philippines	8	28	5	24	35
Singapore	9	29	7	29	26
Thailand	5	30	7	25	33
<u>SOUTH ASIA</u>					
Bangladesh*	25	11	8	24	32
India*	9	33	10	16	32
Nepal	4	18	2	32	44
Pakistan	13	27	6	25	29
Sri Lanka	20	24	3	25	28
Low-Income Countries	14	14	17	25	30
Middle-Income Countries	11	19	7	31	32

* data for 1979

SOURCE: Ibid.

TABLE 9

Some Summary Indicators of ASEAN-South Asia Trade, 1981

ASEAN[a]

Country/Region	Share in Exports to South Asia	Exports to South Asia as % of Total	Share in Imports from South Asia	Imports from South Asia as % of Total	Balance of Trade (US$ million)
ASEAN	100.0	2.87	100.0	0.72	1405.1
Indonesia	6.1	0.53	13.2	0.50	49.0
Malaysia	25.8	4.42	23.7	1.05	373.0
Philippines	3.2	1.08	2.7	0.16	48.8
Singapore	59.7	5.46	45.7	0.85	911.0
Thailand	5.2	1.46	14.7	0.73	23.3

SOUTH ASIA[b]

Country/Region	Share in Exports to ASEAN	Exports to ASEAN as % of Total[a]	Share in Imports from ASEAN	Imports from ASEAN as % of Total	Balance of Trade (US$ million)
SOUTH ASIA	100.0	3.70	100.0	6.59	-1470.5
Bangladesh	15.3	9.97[c]	13.3	10.41	- 185.3
India	56.7	3.75	63.1	6.73	- 961.0
Nepal	0.5	4.26	0.7	7.01	- 11.0
Pakistan	19.3	3.47	15.1	5.54	- 200.0
Sri Lanka	8.1	4.13	7.8	8.01	- 113.2

NOTES: a based on ASEAN countries' data
b based on South Asian countries' data
c substantial discrepancy between Singapore country data and Bangladesh country data.

SOURCE: IMF, **Direction of Trade, 1982**, various country tables.

As far as imports are concerned, in Bangladesh and Sri Lanka, and to a somewhat lesser extent, in Indonesia and Pakistan, the share of "Food" is significant. As expected, energy imports, except in Indonesia and Malaysia, two oil producers, also form a significant proportion of total imports. In India and Thailand, about one-third of the total imports are in this category. This dependence on traditional fuel would suggest that there may be areas of co-operation among the South Asian and ASEAN countries, as well as between them, for developing alternative energy sources. As may be expected, the share of manufactures exceeds 50 per cent of total imports, except in India where the share is 48 per cent. Such a pattern may indicate yet another area of potential trade among and between the two regions.

It may be worth noting that all these countries, with varying degrees of commitment, have been trying to attract foreign investment. The ASEAN countries have been more successful in this regard, compared to the South Asian countries. Recent liberalization moves in the South Asian countries, including India, if successful, may, however, narrow the gap in the future. Two countries, India and Singapore, are also important exporters of capital. Singapore's overseas investment, mostly in Malaysia, but also in Bangladesh and Sri Lanka, are fairly large. Lall has indicated that such investments may be almost the size of Brazil's, whose overseas capital stock (excluding banking) in 1980 was estimated at over US$1 billion.[7] India has a foreign equity of over US$100 million; and its foreign direct investment overseas far surpassed the inflow of new foreign capital in the 1970s.[8] As far as the manufacturing industry is concerned, India is the largest exporter of technology in the Third World; though why it is so remains, as Lall has indicated, somewhat of a paradox.[9] As noted, India is now actively seeking foreign investment though this does not understandably amount to a complete open-door policy.[10]

III. METHODOLOGY

The country papers in this volume examine trade, investment, and other economic relations. Since a common methodology for analysing trade relations is used in all the papers, it may be convenient to summarize it here, since explanation of this methodology is not repeated in each paper.

The indices used to analyse trade relations were trade intensity indices popularized by Kojima, the Grubel-Lloyd (G-L) index for intra-industry trade, and trade reciprocity index developed by Wadhva. Each is discussed in turn.

Trade Intensity Indices

Bilateral trade orientation of one country with another may be analysed by computing an index of import intensity and of export intensity.[11]

The import intensity index (m_{ij}) is defined as:

$$m_{ij} = \frac{\dfrac{M_{ij}}{M_i}}{\dfrac{X_j}{X_w - X_i}} \qquad (1)$$

where,

m_{ij} = import intensity index of trade of country i with country j

M_{ij} = imports of country i from trading partner j

M_i = total imports of country i

X_j = total exports of country j

X_w = total world exports

X_i = total exports of country i.

The first term on the right hand side of (1) above shows the proportion of total imports of country i accounted for by imports from country j. The second term shows country j's share of world exports net of country i's share. It should be obvious that if $m_{ij} = 1$ (unity), that is, when these two terms are equal, it would imply that country i accounts for the proportion of country j's exports identical to country j's importance in the total (net) world exports. If this index is numerically greater than one, it would imply over-representation of country j in country i's imports; on the other hand, a value of less than one on this index would imply under-representation.

Similarly, export intensity index (x_{ij}) may be defined as:

$$x_{ij} = \frac{\dfrac{X_{ij}}{X_i}}{\dfrac{M_j}{M_w - M_i}} \qquad (2)$$

where,

x_{ij} = export intensity index of trade of country i with country j

X_{ij} = exports of country i to trading partner j

X_i = total exports of country i

M_j = total imports of country j

M_w = total world imports

M_i = total imports of country i

The first term on the right hand side of (2) above indicates the proportion of total exports of country i accounted for by country j. The second term indicates total world imports net of country i's share accounted for by country j. The equality of these two terms would again lead to the value of this index being unity, which would imply that country j accounts for country i's exports in the same proportion as country i's share in total (net) world imports. Again, a value of this index which is greater than unity would imply over-representation of country j in country i's exports, while a value of less than unity would imply under-representation.

It should be noted that the values of the above trade intensity indices are influenced by several factors such as the historical patterns of trade, geographical proximity, political relationships among nations, degree of competitiveness and/or complementarities in the trade and economic structures of the partner countries, trade barriers, brand loyalties, and so forth; that is, by both objective and subjective resistances.

The Grubel-Lloyd Index

The trade intensity indices primarily deal with inter-industry trade. To complete the picture, the changing nature of bilateral trade on intra-industry trade may be examined by computing the Grubel-Lloyd (G-L) index[12] (denoted by B_i):

$$B_i = \left[\frac{X_i + M_i - |X_i - M_i|}{(X_i + M_i)} \right] 100 \qquad (3)$$

where,

B_i = intra-industry trade index (or G-L index) for industry i;

X_i and M_i = value of exports and imports for industry i respectively; and

i = 1, ..., n where n is the number of industries at a chosen level of disaggregation.

The value of B_i will lie between zero and 100. The index is B_i = 100 when the exports are exactly equal to imports of an industry; B_i = 0 (zero) when there are exports but no imports or vice versa. This shows complete specialization in trade between two countries in a selected product. Whenever the value of exports equals one half the value of imports or vice versa, B_i = 0.666.

There are several problems in the measurement of the G-L indices, of which we list two major ones here. The first one relates to the definition of the "industry" itself for empirical measurement. The index is sensitive to the definition of the industry adopted. In general, the more aggregative the product grouping is, the greater the extent of over-estimation of intra-industry trade. Keeping this in mind, the G-L indices have been computed at the most disaggregative level available in trade statistics. The other set of measurement problems arise when trade imbalances are very large at the level of the industry being considered. These problems have been ignored here.

Index of Trade Reciprocity

In order to measure reciprocity in the overall balance of trade of any two partner countries (or groups of countries not including all trade partners at the global level), Wadhva has devised the trade reciprocity index (θ) as follows:[13]

$$\theta = 1 - \frac{\sum_{j=1}^{n} \left[\frac{|a_{ij} - a_{ji}|}{(a_{ij} - a_{ji})} \cdot \sum_{i=1}^{n} a_{ij} \right]}{(n-1) \left[\sum_{i=1}^{n} \sum_{j=1}^{n} a_{ij} \right]} \tag{4}$$

where,

a_{ij} = exports of country i to partner j

a_{ji} = exports of country j to partner i

n = total number of countries involved in the context of the bilateral or regional grouping being considered.

The index θ will always lie between zero and one. When every pair of countries in a group tends to have a balanced bilateral trade (case of perfectly balanced two-way trade), the value of θ reaches its maximum (that is, unity). On the other hand, when there exists only one-way flow of trade between the pair of trading partners (say, complete dependence of country A on country B for its imports or exports), the value of θ is at its minimum (that is, zero). This index thus measures the degree of trade reciprocity. It may be measured at bilateral as well as multilateral levels for a group of countries. The index is extremely useful in the context of schemes for regional trade co-operation among partners who are facing balance of trade difficulties. These countries may want to enter into schemes for further mutual trade expansion (such as negotiated reductions in tariffs on each other's products or preferential procurement) only if the degree of multilateral reciprocity in trade increases on the whole or at least at the margin so that the two-way additional trade created is balanced (or nearly balanced), and if this process is supported by multilateral schemes of payments arrangements so that it does not add to the stress on their existing balance of payments diffficulties. The above would generally require the co-operating trading partners to carefully plan trade in products which are complementary to the trade and economic structures of the countries concerned.

It needs to be pointed out that the index θ suffers from some limitations. One of the limitations of this index is that by itself it measures trade reciprocity at a given (static) level of trade between the partner countries. Thus, it cannot clearly distinguish between the degree of trade reciprocity prevailing at varying levels of trade between trading partners. Thus, for example, compared to an initial situation in the first year when 0 = 1 at the then prevailing levels (values) of trade between partner countries, 0 can be equal to unity (again) in the second year under severe recessionary conditions when the relevant levels of trade may have in fact been much lower. While comparing the computed values of 0 over time, it is also essential to simultaneously examine the trends in the overall growth of trade between various pairs of trading partners before drawing inferences regarding an increase (or decrease) in the degree of trade reciprocity over time.

IV. A SUMMARY OF MAJOR FINDINGS

In this section no attempt is made to summarize each of the country papers. Thus, this summary should not be regarded as a substitute for the country papers. Instead, broad trends and features of ASEAN-South Asia economic relations are presented here. This would be of assistance in assessing problems and prospects concerning their economic relations. (See the next section.)

Trade Relations

Some of the indicators concerning ASEAN-South Asia trade for the year 1981 are presented in Table 9. With the aid of the data in the table, and on the basis of the country papers, broad features of ASEAN-South Asia trade may be summarized as follows.

1. As far as total exports are concerned, each region is not of overwhelming importance to the other. This, of course, need not hold for a particular group of commodities. The ASEAN market is, however, of somewhat greater importance to South Asian countries than vice versa. Even among the ASEAN countries, the South Asian market is of some importance to Singapore and Malaysia. Between them, they account for 85 per cent of total ASEAN exports to South Asia. Among the countries of South Asia, India and Pakistan together account for three-quarters of total South Asian exports to ASEAN. Thus, with respect to exports, these four countries are of overwhelming importance in the present ASEAN-South Asia trade.

2. As far as imports are concerned, those from ASEAN are of moderate importance to South Asia. South Asian imports, however, are of negligible importance to ASEAN. The ASEAN imports from South Asia are somewhat less unevenly spread, though Singapore and Malaysia still account for a little more than two-thirds of the total ASEAN imports. India and Pakistan account for roughly the same proportion of total ASEAN imports as their share in exports to ASEAN. Imports by both Bangladesh and Sri Lanka from ASEAN have increased rapidly in recent years.

3. The trade balance was generally in favour of South Asia in the early 1970s, but it is now substantially in ASEAN's favour. Each of the ASEAN countries has a favourable trade balance with South Asia as a whole. This is all the more noteworthy in view of the trade deficits experienced by countries such as Singapore, the Philippines and Thailand. So far, such imbalance in ASEAN's favour has not been a source of friction between the countries of the two regions. This may be due to the importance of energy and cooking oil imports by South Asia from ASEAN, both of which are essential items. If invisibles are added, especially the tourist flows, the balance is even more favourable to ASEAN, especially to Singapore.

4. As noted, energy and cooking oil dominate ASEAN's exports to South Asia. Manufacturing items (SITC 5 to 8) are also of major importance in both ASEAN's exports to and imports from South Asia. In general, ASEAN countries' exports to South Asia do not compete with one another. A similar pattern is found for South Asian exports to ASEAN. This may imply that an export push by a particular country to the countries in the other region is unlikely to harm the exports of its regional partners.

5. The extent of intra-industry trade is quite low, both in terms of coverage and values for particular industries. As may be expected, intra-industry trade is more important in Singapore's and Malaysia's trade with India, and to a lesser extent with Pakistan.

The above discussion suggests that South Asia has become not an insignificant customer of the ASEAN countries, especially of Singapore and Malaysia. Therefore, these two countries may want to nurture and cultivate the South Asian market. South Asian countries rely on ASEAN for many of their essential imports.

Investment Relations

Among the South Asian countries, only India, and among the ASEAN countries, only Singapore have substantial equity investment in joint ventures in the countries of the other region. Sri Lanka and, to a considerably smaller extent, Pakistan also have some equity investments in ASEAN. However, in all cases, the equity investment in relation to the total in a given country is quite small. A major portion of India's global investments are in the ASEAN region. India has investments in all five ASEAN countries in a wide range of areas, such as computers, cement, textiles, paper and pulp, precision tools, office furniture, and so forth. The sophistication of the technology employed also varies considerably from the most sophisticated (such as the Tata-Elxsi computer operation in Singapore) to quite labour-intensive operations on a smaller scale. There appears to be a recent trend among the Indian joint ventures to also include a third party, usually a multinational firm. Indian joint ventures, however, have had their share of problems in ASEAN, especially in Malaysia and Indonesia. The more open environment of ASEAN demands different business strategies from the less open South Asian environment. These difficulties have been aggravated by the currency devaluation in Indonesia and by the recent slow-down in the world economy. While many Indian ventures appear to be domestic-market oriented, several newer ones have been attempting to broaden their market to regional and world level. In the joint ventures, the Indian partners generally have a minority share. This may be partly due to the fact that they have less "proprietory assets" which they need to protect. It appears that the Indian joint ventures, especially those in manufacturing, have reached a consolidation phase; and the newer ventures are likely to be larger, more diversified and more professionally managed than was generally the case in the 1970s. There also appears to be an increase in recent years in non-industrial joint ventures, such as consultancy services, and hotels.

Singapore has recently become an important investor in Sri Lanka and Bangladesh, concentrating on textiles and jewellery. However, as Singapore does not keep data on overseas investments, it is not possible to separate firms which are Singaporean from those which were or are based in Singapore but whose ownership is non-Singaporean.

Since the discussion of investment relations in the following papers is not based on a survey of joint ventures, it is difficult to provide answers to important questions such as their financial performance, management style, whether "appropriate technology" has been employed, whether there is transfer of technology, whether they are based on "know-how" or "know-why", their marketing strategies, and so forth. This is an obvious area for further research.

Other Relations

These consist mainly of manpower and tourist flows between the two regions and the operations of financial institutions. While manpower flows cannot be precisely quantified, sizable communities of South Asian nationals in all the ASEAN countries indicate that these flows are not unimportant. In countries such as Singapore and to a lesser extent Malaysia, which have deliberately imported professional and skilled and semi-skilled manpower to fuel their growth, the contribution of South Asian nationals appears to be significant, deserving wider recognition than has been the case so far.

The tourist flows from South Asia to ASEAN are also significant, especially when account is taken of the length of stay and the per capita expenditure. Both these are, paradoxically, higher for an average South Asian visitor, compared to the average for all visitors. This may be explained by the greater availability of consumer durables in ASEAN, especially in Singapore, as compared to South Asia. Sri Lanka's attempt to provide attractive shopping opportunities to its visitors is too recent to indicate the degree of success. On the other hand, ASEAN visitors have shown relatively less preference for South Asia as a destination. Thus, the flow of visitors is substantially balanced in ASEAN's favour.

Financial institutions from only India and Pakistan have operations in the ASEAN countries. There are no ASEAN financial institutions operating in South Asia. Given Singapore's importance as a financial centre, the presence of financial institutions from India and Pakistan is not surprising. The Indian institutions mainly finance third-country trade, but have also financed many Indian joint ventures in the region. They have also used the Asian dollar market to raise funds for Indian and other firms, and have participated in syndicated loans. They have also been attempting to broaden the deposit base and loan portfolio.

While impossible to demonstrate or quantify, it appears that there is a close connection between the operations of money-lenders in ASEAN, and foreign exchange transactions in the grey markets in South Asia. Many of the money-lenders, especially in Singapore and Malaysia, are of South Asian origin.

The precise contribution of financial institutions, both formal and informal, to ASEAN's growth, however, remains to be investigated. Since the Indian financial institutions have financed many of the Indian joint ventures, problems faced by these ventures in Indonesia and in Malaysia have spilled over to these institutions as well. How these problems are resolved would significantly influence the future role of the Indian financial institutions in ASEAN.

The discussion in this section suggests that the economic relations between ASEAN and South Asia are multifaceted. They are also not unimportant, especially when non-trade relations are taken into account. But what are the prospects for these relations? It is this question to which we turn next.

V. PROBLEMS AND PROSPECTS

If the present levels of economic relations between the two regions are to be expanded, attention would have to be devoted to several areas.

1. Differences in Business Cultures and Environment: There are many important differences between the South Asian and ASEAN regions concerning business culture and environment. ASEAN has generally adopted an outward-orientation development strategy. This strategy has meant a broad acceptance of the present division of labour among the countries; concentration of efforts towards ways and means of benefiting from this division of labour; and seeking to increase international competitiveness. South Asia's strategy, at least until very recently, has been much more of the import-substitution type. As a consequence, the ASEAN market is much more of a buyer's market than that of South Asia. Moreover, industries in South Asia, once established, can look forward to government protection to a much greater extent than is the case in ASEAN. Multinational firms also play a proportionately larger role in ASEAN than they do in South Asia. While in both regions, the role of government is extensive, it would appear that the approach of the ASEAN governments has been somewhat more technocratic and result-oriented than has been the case in South Asia. The recent privatization drives in Malaysia and Thailand seem to have fewer counterparts in South Asia.

   Given these differences, it would be surprising if each side did not have problems operating in the other region. Since it is South Asia which has a substantial current account deficit with ASEAN, it is the South Asian countries which would need to make the greater effort to understand and adapt to the business environment of ASEAN. While there have been some signs that this is being done, the success of the South Asian countries is far from assured in this respect. South Asia may need to rely less on their State organizations and more on the private sector. The State, however, can play an important role in ensuring quality and creating awareness of the need for an export culture. The State in South Asia may also need to become more technocratic and result-oriented.

It would appear that ASEAN firms also need to make greater attempts to adapt to the South Asian domestic environment, especially if joint-ventures are contemplated.

2. Problems of infrastructure: The above problems of adjustment are made somewhat more difficult by inadequate, and relatively expensive shipping and other infrastructural services between the two regions. This is even more relevant when perishable commodities, such as fruits, vegetables, and other such items, are involved. The efficiency of infrastructure within many South Asian countries also needs to be improved.

3. Political and Psychological Factors: While a paper concerning these factors is not included in this volume, given their importance, a brief mention of these factors is necessary here.[14] ASEAN, since its inception, has evolved into a politically cohesive organization. In recent years, political differences have appeared between ASEAN and India on the issue of Kampuchea. The other South Asian states, such as Pakistan, Bangladesh, and Sri Lanka,[15] have generally leaned towards the ASEAN position on this issue. These political differences, combined with ASEAN's psychological orientation towards the West and Japan (for example, Malaysia's "Look-east Policy") seem to have affected to a certain extent economic relations between ASEAN and South Asia, especially India.[16] With the setting up of the South Asian regional grouping in August 1983, it is hoped that such bilateral differences will not unduly affect the economic relations between the two regions. Political differences among the South Asian countries themselves also hamper economic relations. In both intra-South Asia trade and that between ASEAN and South Asia, political will would be necessary to expand economic relations, the benefits of which are generally conceded. Much would also depend on how political relations between the United States, China, Japan, India, the rest of South Asia, and ASEAN develop, as both the sub-regions are subject to great power rivalry.

4. Financing Facilities: Many exporters in South Asia, especially India, have long complained of inadequate specialized export-financing which has made their exports, especially capital goods exports, less competitive. Recently, India has set up an Export-Import (EXIM) bank with an authorized capital of US$225 million, and a paid-up capital of US$84.4 million. The EXIM bank is also authorized to raise loans in international money markets.[17] The existence of such an institution is likely to mitigate the export-financing problem somewhat.

The above discussion, along with the current economic recession, would suggest that no sharp increase in the economic relations between the two regions is likely to take place in the near future. There are, however, several steps, in addition to those mentioned earlier, which may be taken to improve these relations.

Some Suggestions for Improving ASEAN-South Asia Relations

1. It appears that in trade relations between the two regions, almost exclusive attention is being paid to the export (or re-export of) finished or intermediate goods. Such a preoccupation leaves at least two areas relatively unexplored. The first is the possibility of a division of labour between the two regions based on the various stages of production. As an example, Singapore which aspires to be a publishing centre, may undertake to have certain skilled, labour-intensive, earlier stages of production, such as editing, done in South Asian countries such as Sri Lanka or India. Such a division of labour would be mutually beneficial, as high value-added stages, such as marketing, could still be done in Singapore, and at the same time the South Asian countries would better utilize their labour resources. Similar situations may exist in other areas, such as in standardized goods and in computer software. The second area is the relative neglect of trade in services, such as in hotels, restaurants, consultancy, entertainment, and so forth.

2. There may also be potential for the exchange of professional manpower between the two regions. Thus, a multinational firm operating in one or both regions may utilize the services of professional manpower from the other region. This may prove to be more cost-effective than importation from the West. Furthermore, as the ASEAN countries, besides Singapore, implement ambitious rural development plans, and as South Asian countries try to develop energy plans, an exchange of experts between the two regions may prove cost-effective.

3. There appears to be areas in the two regions where trade and other links are negligible. For example, there are few, if any, economic links between Sabah and Sarawak and South Asia. The economic relationships between the Philippines and South Asia, especially Sri Lanka and Pakistan, are also negligible. Therefore, some attention needs to be paid to these areas.

4. There also appears to be some scope for unorthodox ways of engaging in trade between the two regions. These include barter trade, counter-purchase policy and its variations, non-convertible currency trade on a multilateral basis, and other such schemes. These schemes can well supplement the conventional trade in hard currencies. Malaysia is already reported to be discussing barter trade with India.[18] These unorthodox schemes may also prove attractive, for different reasons, to Indonesia and the Philippines. Both these countries need to curb their hard currency imports. Given the large balance of payments deficits of South Asian countries, these schemes may also prove beneficial to them.

5. The ASEAN and South Asian countries may also devise a joint strategy to increase the procurement shares of United Nations contracts and those of multilateral development banks going to the developing countries.

6. There may also be scope for sharing ways and means of increasing the productivity of primary products, such as rubber, copra, tea, cocoa, etc., and to devise joint marketing strategies for these products.

7. It appears that there is an absence of firms specializing in finding joint-venture partners in the other region. This is especially important, given the different business environments in the two regions, and in view of the general difficulty in finding suitable joint-venture partners. Perhaps such a firm could be set up as a joint venture between the two regions. As the ASEAN region moves to higher levels of technology, South Asia may provide a base for its labour-intensive operations.

8. There has been a recent tendency of diplomatic missions of some countries to devote a substantial proportion of their energies to commercial and market intelligence efforts. However, this tendency does not seem to have been prominent in the diplomatic missions of some of the countries of the two regions. These countries need to attach much greater importance to commercial and economic diplomacy than has been the case so far.

9. Mention has already been made of a need to overcome infrastructural bottle-necks in the two regions.

Suggestions For Further Research

The papers on ASEAN-South Asia relations in this volume are fairly aggregative and are based predominantly on secondary sources. Thus, there are many areas where further research efforts are likely to be productive, both from the policy-making and the academic points of view. A tentative list of such areas is given below.

1. An analysis of South Asian joint ventures in manufacturing in ASEAN with a view to ascertaining their contributions to capital exporting and importing countries; and investigating their characteristics in contrast to those of investments from other countries would be useful. A similar analysis of ASEAN joint ventures in South Asia is also needed.

2. A similar analysis of non-manufacturing investments by South Asian countries and by ASEAN in each other's region may throw some light on the possibilities of enlarging economic relations through such investments. In this connection, the role of formal and informal financial institutions should also be investigated.

3. A detailed analysis of trade prospects for particular products or product categories, such as fruits and vegetables, between the two regions is needed to narrow the focus of efforts at increasing trade between the two regions.

4. An investigation of the possibilities and desirability of unorthodox ways of trade, such as barter trade, between the two regions needs to be undertaken.

5. A study on political relations between the two regions, with particular emphasis on future power alignments would also be useful. In this context, an examination of bilateral and multilateral relationships between China, the United States, Japan, the USSR, and the countries of South Asia and ASEAN would be particularly relevant.

6. The differing roles of government in the two regions and their implications also require a searching examination.

7. An investigation of the ways and means of improving infrastructure for expanding economic relations between the two regions is also likely to be useful.

That expansion of economic relations between ASEAN and South Asia is likely to be mutually beneficial is generally conceded. While there are impediments to the expansion of these relations, it is our hope that sustained efforts will be made by countries of both regions to expand these relations, thereby providing impetus to South-South economic co-operation.

NOTES

1 Thus, real GNP growth of all industrial countries never declined below 3.4 per cent between 1976 and 1979, but was 1.3 per cent in 1980, 1.2 in 1981, -0.3 in 1982, and is projected at 1.3 per cent in 1983. See International Monetary Fund, **World Economic Outlook**, 1983, Appendix B, Table 1, p. 170.

2 Thus, while during 1963-72, the volume of world trade grew at an average rate of 8.5 per cent, the corresponding growth was 2.0 per cent in 1980, 0.5 per cent in 1981, -2.5 per cent in 1982, and is projected to grow at 1.0 per cent in 1983. See ibid., Appendix B, Table 8, p. 176.

3 In 1981, the external outstanding and disbursed public debt to GNP ratios were: Brazil, 16.0 per cent; South Korea, 32.1 per cent; Mexico, 18.5 per cent; and the Philippines, 19.3 per cent. See World Bank, **World Development Report**, 1983, Table 16, pp. 178-79. If private foreign debt were to be included, the ratio in countries such as Brazil would be substantially higher.

4 For an excellent general survey of the Third World and which also stresses the need to increase real incomes, especially of the absolute poor, and to urgently pursue both domestic reform and reform of the present international economic order, see Paul Harrison, **Inside the Third World**, 2nd ed. (Penguin Books, 1981).

5 As India's GDP is for 1980 and not 1981, the difference is somewhat overstated.

6 For a forceful defence of barter trade, especially in its multilateral form, see Andreas Goseco, "Barter Need Not Be Primitive", **Far Eastern Economic Review**, 5 May 1983, pp. 146-48.

7 Sanjay Lall, "The Rise of Multinationals From the Third World", **Third World Quarterly** 5, no. 3 (July 1983): 619.

8 Ibid., p. 620. Between 1973 and 1981, total approved foreign equity investment in India was about US$60 million. In 1982, however, total foreign equity investment approved was US$65 million; **India News** 8, no. 3 (1983): 3. In contrast, actual foreign investment in manufacturing alone, in terms of gross fixed assets, totalled S$9.4 billion as at June 1982 in Singapore; **Economic Survey of Singapore, 1982**, p. 24.

9 Lall, op. cit., p. 619.

10 The liberalization measures introduced in India in recent years have been favourably received in the United States. See, U.S. Department of Commerce, "A Changing India presents New Opportunities", **Business America**, 7 February 1983, pp. 2-13.

11 These indices are given in K. Kojima, "The Pattern of International Trade Among Advanced Countries", **Hitotsubashi Journal of Economics** 5, no. 1 (June 1964). See also, Peter Drysdale and Ross Garnaut, "Trade Intensities and the Analysis of Bilateral Trade Flows in a Many-Country World: A Survey", **Hitotsubashi Journal of Economics** 22, no. 2 (February 1982): 62-84.

12 H.G. Grubel and P.J. Lloyd, **Intra-Industry Trade: The Theory and Measurement of International Trade in Differentiated Products** (London: The Macmillan Press, 1975), p. 21. See also, David Greenaway and Chris Milner, "Trade Imbalance Effects in the Measurement of Intra-Industry Trade", **Weltwristschaftliches Archiv**, vol. 117 (1981), pp. 756-62.

13 Charan Wadhva, "Note on the Revised Index of Complementarity Considering Trade Values", mimeographed (March 1982). The earlier version of this note was presented for discussion at a Workshop on UNCTAD (Asian) Studies at Marga Institute, Colombo, 14-17 December 1981. This index may be computed either at the overall level of balance of trade or sectoral level of trade (industry-wise) for any pair of trading partners. It may be better called an index of trade reciprocity rather than an "index of complementarity" as its link with complementarity at the disaggregated level of trade is at best indirect and only implicit.

14 See, however, Leo E. Rose, "India and ASEAN: Much Ado About Not Much", in **Economic, Political, and Security Issues in Southeast Asia in the 1980s**, edited by Robert A. Scalapino and Jusuf Wanandi (Berkeley: Institute of East Asian Studies, 1982), pp. 93-107.

15 Sri Lanka has applied for membership of ASEAN, but the application is unlikely to be favourably considered.

16 See Barry Wain, "Kampuchea Hampers Ties Between India and ASEAN", **Asian Wall Street Journal**, 8 August 1983. Wain quotes an Indian consultant in Malaysia as complaining that since 1980, their competitive offers are being passed over in favour of others. This is in contrast to the period up to 1979, during which Indian consultants' expertise was valued highly. Recently, however, Malaysia has shown an interest in setting up a training centre of the type run by the Tata conglomorate of India in Singapore.

17 For more information, see **EXIM Bank: India** (Bombay: Export-Import Bank of India, October 1982).

18 **Straits Times** (Singapore), 27 July 1983.