

## BOOK REVIEWS

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***Connecting South Asia and Southeast Asia.***  
**By Asia Development Bank and the Asia**  
**Development Bank Institute.** Japan: ADBI, 2015.  
Pp. 294.

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*Connecting South Asia and Southeast Asia*, a joint study conducted by the Asian Development Bank (ADB) and the Asia Development Bank Institute (ADBI), is a succinct report on how to enhance the regional ties between the two neighbouring regions, with a particular focus on connectivity. Given the long history of ADB's involvement in both South Asia and Southeast Asia, it is ideally placed to discuss the myriad of issues that affect the economic ties between the countries in the respective regions. Myanmar's nascent but nevertheless optimistic democratic revival after decades on military rule provides the crucial land link that has been missing between the regions. Governments and policymakers can now contemplate closer ties by building unbroken road and rail networks stretching from India to Thailand and beyond. At the same time, India's government, led by Prime Minister Narendra Modi, has been talking about their "Look East" policy and engaging the ASEAN countries through ASEAN+1 Free Trade Agreements (FTAs) and the Regional Comprehensive Economic Partnership (RCEP) deal. With the Trans-Pacific Partnership (TPP) now looking like a distant dream after the United States under the Trump government withdrew, RCEP is the most likely multilateral agreement that the regions can sign up to. Given this political background, this book attempts to calculate whether countries in the respective regions would benefit significantly from co-operating

on connectivity-linked issues, and minimize the associated downside. It also notes that in order to achieve that, there has to be significant investment in hard and soft infrastructure, and that is only possible if there are pools of financing available both from the public as well as the private sector. Private sector support is necessary as the fiscal constraints on governments limit the extent to which they can provide support. However, for sustainable private sector funding to emerge, there needs to be confidence around cross-border funding agreements.

The book is organized to first provide readers with a detailed look at the current state of connectivity between the two regions. As the authors observe, there is some progress with trade growing substantially between 1990 and the present. However, a lot more has to be done, and the rest of the book explains this in detail. Chapters 3 and 4 describe the investment needed in cross-border transport infrastructure and energy infrastructure respectively. The following two chapters describe the financial requirements for these investments as well as the facilitation from a trade perspective that need to be put in place across the regions. Chapter 7 talks about the non-tariff barriers that hinder trade, and how effective FTAs can resolve them. Chapter 8 elaborates on some of the unintended consequences of connectivity, such as unequal distribution of the benefits and aggravation of social ills. Governments have to be cognizant of these issues and take adequate steps to minimize their impact. Finally, Chapter 9 tries to quantify the benefit that the regions will accrue if they were to undertake the various recommendations suggested in the book. Using a Computable General Equilibrium (CGE) model,

even a conservative estimate shows that the gains can be substantial across all the countries in the South Asian and Southeast Asian regions.

The authors see the development of production networks across Southeast Asia as a key reason for the success of some these countries over the past two decades. South Asia can benefit significantly from tapping into these networks. In addition, small and medium enterprises (SMEs) play a major role in the Southeast Asian economies, but are a much smaller force in South Asia. So, the development of an enabling environment for SMEs can raise economic growth in South Asia and can also lead to greater connectivity with Southeast Asia. But, for these to happen, a number of barriers to trade will have to be improved. First and foremost is transport infrastructure. The authors consider road, rail and sea connectivity and estimate that US\$62.6 billion would be required for improvements across all. However, in terms of importance, road and sea transportation would take precedence over rail. Myanmar is the key land bridge between the two regions. However, it is severely deficient in road infrastructure. At the same time, given the dominance of container shipping in the regions, development of deep sea ports which can handle container transfer between large ships is critical. Energy trading between the regions can also hasten development. Myanmar is relevant here also particularly due to its large reserves of natural gas that have yet to be tapped. Trading on electricity is also non-existent. However, a number of obstacles ranging from technical barriers to political and environmental issues would need to be overcome.

The investments needed to make the above possible require infrastructure financing pools. Traditional bank loans for project finance have become scarcer since the 2007–09 crisis as credit standards have been tightened and regulations strengthened. So alternative sources of funding beyond public spending have to be sourced. These would include public–private partnerships, financial intermediary lending, bond markets and regional infrastructure funds. The authors discuss regulatory and institutional constraints for private finance and conclude that governments need to play a key role to ease them.

The authors also talk about the various barriers to trade facilitation but conclude that these are not necessarily regional issues, but national ones. In particular, less developed countries in each region need to move up the learning curve so that the regions can benefit overall. For example, the volume of (unautomated) paperwork is a key constraining factor. The development of Regional Single Windows covering both regions could possibly help to alleviate these issues. Myanmar is again critical in this context as it has trade facilitation standards which are quite different from India or Thailand, the two key bordering countries. Besides this, the authors feel that the two regions could benefit immensely if they entered into FTAs. At this moment, only India and Pakistan from South Asia have shown any interest in FTAs with Southeast Asian countries, and this could change if multilateral FTAs like RCEP come into practice.

The authors emphasize that regional coordination is very difficult as it is already often hard enough to expect coordination at the national level. However, in order to enjoy the gains from regional connectivity, a number of regional institutions like ASEAN, GMS, SASEC, and others, have to work together and overcome social and security issues, unequal distribution of benefits and sensitive sectors. These will not be solved unless there is political will at the local level.

The study concludes that if the recommendations are truly undertaken by the two regions, there would be significant mutually benefits. Indeed, it is possible that the gains to the ASEAN region would be even higher than that predicted for the ASEAN Economic Community (AEC). Similarly the South Asian countries will also see a significant growth in internationalization, not only for the big economies like India and Pakistan, but also the smaller ones.

This book is timely in the context of the global forces that are currently emphasizing a move away from regional co-operation. Trump has already pulled the United States out of the TPP, while the United Kingdom's Theresa May has officially started the process of Brexit. Asian countries have witnessed the benefits of regional agreements

over the past few decades, and thus need to be steadfast in their resolve to continue down the path of integration, notwithstanding the events in the West.

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***The Trans-Pacific Partnership and the Path to Free Trade in the Asia Pacific.*** Edited by Peter C.Y. Chow. Northampton, MA: Edward Elgar Publishing Limited, 2016. Pp. 305.

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The World Trade Organization's (WTO) intra and inter-regional trade data shows that there are three main centres of the world's trade. The first is in the EU in which Africa and Eurasia are interconnected, the second is in North America in which Latin America is interconnected, and the third is in Asia where the Middle East is interconnected. Within these three centres, there is a strong inter-regional trade linkage between North America and Asia. This explains why Asia Pacific has the potential to be the largest regional economic cooperation on earth.

This book discusses "mega regionalism cooperation", which earned massive support in the second decade of the twenty-first century after the Trans-Pacific Partnership (TPP) negotiations made significant progress. This phenomenon of mega regionalism in Asia Pacific is indeed interesting and very important. Sharing the optimism on this phenomena, this book argues that the Free Trade Area of the Asia Pacific (FTAAP) is the long-run objective of the Asia Pacific's mega regionalism journey. The U.S.'s role significantly affected the TPP which was formerly known as the Trans-Pacific Strategic Economic Partnership Agreement or P4.

Part I of this book consists of three chapters. In Chapter 1, Chow provides the context of regionalism in Asia Pacific, such as the Asia

Pacific Economic Cooperation (APEC), East Asian economic integration, ASEAN-centred open regionalism, ASEAN Economic Community (AEC), the TPP and the Regional Comprehensive Economic Partnership (RCEP). This chapter argues that the TPP is more advanced in terms of trade liberalization and economic reform than the RCEP, therefore the former is considered as the "WTO extra" while the latter as the "WTO Plus" (p. 9). In Chapter 2, Barfield explains the two-level game in finding the equilibrium between the international aims of the U.S. executive government and the U.S. domestic interest in parliament. This chapter describes the strategy on how to obtain parliament support for the TPP. In Chapter 3, Cheng and Lee explain the competition between the U.S.-led TPP and the China-anchored RCEP (p. 49). In this context, they feature three countries: the United States, China and Taiwan, where Taiwan's accession to the TPP was immune from the competition between the TPP and RCEP.

Part II, consisting of Chapters 4–7, estimates the economic impact of joining the TPP, and mainly focuses on Taiwan's accession. It features several other countries: Indonesia; the Philippines; Thailand; South Korea; and China. Chapter 4 by Ciurak and Xiao utilizes a dynamic Computable Generalizable Equilibrium (CGE) model to assess the impact of Taiwan's accession to the TPP. They find that Taiwan's accession will have a positive impact on its economy by increasing economic growth by 2.8 per cent and household income up to US\$29 billion (p. 108). In Chapter 5, Chow also utilizes the CGE simulation with the Global Trade Analysis Project (GTAP) 9.0 data and finds that most of the candidate countries — namely, Indonesia, Philippines, and Thailand — will benefit if Taiwan joins the TPP (p. 143). In Chapter 6, Ciurak and Xiao assess the impact of Taiwan's accession to the TPP on the U.S. economy. Similar to their article in Chapter 4, they find that the United States will obtain an additional US\$9.2 billion in its GDP and US\$5.6 billion in household income. In Chapter 7, Chow and Hsu use a CGE simulation with GTAP data and find that trade creation gains would increase along

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