

## BOOK REVIEWS

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***India–ASEAN Partnership in an Era of Globalization.*** Research and Information System for the Non-Aligned and Other Developing Countries (RIS), New Delhi: 2003. Pp. 267.

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Since the end of the Cold War and the initiation of India's Look East Policy, India–ASEAN relations have progressed from sectoral dialogue partnership to annual summit-level meeting. The discussions are currently underway to take the relationship further in the form of an economic partnership agreement to be fully operationalized by early next decade. India is also engaged in discussions to form bilateral economic partnerships with Singapore, and with Thailand. In addition, subregional co-operation between India and some of the ASEAN members such as Vietnam, Thailand, Myanmar, and Laos has also accelerated. The density of relations between India and ASEAN has increased considerably, and economic relations are much more broad-based than a decade ago.

This book contains twenty-one lectures delivered between December 1996 and August 2002 by distinguished persons from ASEAN and from India under the Indian Government's India–ASEAN Eminent Persons Lecture Series. The period covers both the pre- and post-1997 East Asian crisis. The fourteen lectures delivered by the ASEAN side were in New Delhi, and were mainly by those from the political establishment. Eminent persons from eight out of the ten ASEAN countries (Brunei and Myanmar have not been

represented as yet) shared their thoughts on India–ASEAN relationship and on the Southeast Asian crisis of 1997.

There were seven lectures by the Indian side delivered in five of the ten ASEAN members countries. The persons were primarily from the scientific, academic, and business communities in India. It is hoped that future lectures will delivered in the ASEAN countries which have not been covered yet.

The twenty-one lectures cover a wide range of topics and provide rich material for broad-basing India–ASEAN co-operation with a view to improving the lives of a combined population of 1,600 million.

The book is organized in four sections. The first section contains the pre-crisis inaugural lecture by Malaysian Prime Minister Dr Mahathir Mohamad. He suggested potential for mutually beneficial India–ASEAN co-operation in energy, agriculture, agro-based technology, biotechnology, power and telecommunications, information technology, railways and roads, civil aviation, and financial services. This is indeed a wide-ranging list, and if space, fisheries, and health sector are added, that would be a fairly comprehensive list for India–ASEAN cooperation.

While it is not difficult to draw up a list of areas for co-operation between India and ASEAN, the main challenge is to operationalize it. Dr Mahathir's insistence on East Asian co-operation, excluding India, has therefore been disappointing. This Cold War view of Asia as East Asia is not consistent with the realities of the post-Cold War

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globalizing world. India's annual real GDP growth has been 5.6 per cent for the last two decades. It is set to emerge as a US\$1 trillion economy by early next decade; and its civilizational links with Southeast Asia are well known.

The second section contains five lectures dealing with the 1997 economic crisis in Southeast Asia and how ASEAN can regain its high growth impulses and economic dynamism. The two outstanding contributions in this section are by Thai Prime Minister Thaksin Shinawatra and by Dr C. Rangarajan, former governor of India's central bank.

Thaksin has adopted a much more domestic-oriented growth strategy, a marked departure from export-oriented strategy pursued earlier. He has espoused a far more inclusive view of the economic co-operation in Asia. It is therefore not surprising that bilateral and subregional co-operation between India and Thailand is progressing rapidly. Even in areas where the two economies are competitive, for example in motor vehicles and parts, the two are attempting mutually beneficial agreements to rationalize the division of labour and to realize greater efficiencies.

The lecture by Dr Rangarajan emphasizes the need to manage external capital flows in a pragmatic manner and to equitably share the burden of crisis among both the lenders and the borrowers. The issue of short-term destabilizing and speculative flows is a common concern to both India and ASEAN. Singapore's experience in reasonably successfully managing such flows may be useful in this respect.

The third section contains seven lectures on opportunities and challenges in India-ASEAN partnership. The lectures in this section bring out the complementarities between India and ASEAN in factor and resource endowments and capabilities. India is not a competitor of ASEAN in seeking foreign direct investment (FDI) in labour-intensive manufacturing industries since much of its FDI is in the services sector. The greater experience and competencies of ASEAN countries (particularly of Malaysia and Singapore) in infrastructure development fits well with India's

needs for physical infrastructure, particularly roads, industrial parks, and housing estates. India is in a position to co-operate with ASEAN in substantially lowering the costs of essential drugs, including those for the treatment of HIV-AIDS. Tourists from India are increasingly important for tourism industries in several ASEAN countries, and this is likely to grow in the future. India's professional and technical personnel are making positive contributions to sustaining the competitiveness of the ASEAN countries; ASEAN professionals, particularly from Singapore and Malaysia, are playing a similar role in India.

The lectures, especially by eminent persons from ASEAN's newer members and Thailand, also emphasize the importance of subregional co-operation, and institutional mechanisms. The proposal by Cambodian Foreign Minister concerning India-ASEAN annual summit has already become a reality. Currently, however, ASEAN holds two annual summits. The first is called ASEAN Plus Three (China, Japan, and South Korea) summit. The second is called ASEAN Plus One (India) summit. It would be useful to explore ways to combine the two separate summits. Such a move could give outsiders a positive signal of Asia's willingness and ability to pursue economic co-operation as all major Asian economies would be represented in one forum. Bilateral relations between all major Asian economies are proceeding rapidly, and such a forum will give further impetus to reducing information and perception gaps. It could also assist in exploring ways to utilize Asian savings more efficiently to further Asia's economic growth.

The final section contains six lectures on certain strategic areas of co-operation, such as food security, health, science and technology, corporate governance, and culture. These lectures could form the basis for exploring co-operation in instituting knowledge-based practices in agriculture and other vital areas and in adapting best corporate governance practices to Asian realities.

The research institutes, academics, and business groups could do much to clarify issues, and suggest practical ways to accelerate co-operation

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in the above areas. Negotiations between India's Export Inspection Council (EIC) and its respective counterparts in ASEAN countries to reduce transactions costs of bilateral trade in certain products such as electronics, food, and electrical and telecom appliances may be one such practical measure. A code of conduct between India and ASEAN on movement of natural persons represents another possible avenue to better utilize human resources and reduce transactions costs.

The RIS has done a valuable service in publishing this volume. It deserves to be widely read in India and the ASEAN countries. It will be useful to academics, researchers, and policy-makers, and also to those contemplating thesis topics on Asian economic co-operation and on the impact of globalization in developing Asia.

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***Japan and China: Cooperation, Competition and Conflict.*** Edited by Hanns Gunther Hilpert and René Haak. Hampshire and New York: Palgrave Macmillan, 2002. Pp. 233.

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This book is a collection of ten essays on economic relations between Japan and China. The main theme is whether these relations will be co-operative or conflictive. The topics discussed are numerous, ranging from trade to overseas Chinese role. I will introduce and review critically each chapter and then give a general comment at the end.

In the introduction, one line of explanation is problematic. On page 2, it is stated that the past 2,000 years of Sino-Japanese relations have sometimes been harmonious and mutually beneficial, and antagonistic and conflictive at other times. Those who know Japanese history find this line very strange since the first Japanese mission to China was not sent until the year 600 A.D.

Chapter 1 is a general overview of economic relations by Kwan. According to his analysis, the rise of China created a "hollowing out" of Japanese

domestic industries and escalating trade friction between the two countries. The bilateral economic relations, however, can be complementary rather than competitive, whereas ASEAN and China relations remain competitive. This statement is backed up by his calculation of correlation coefficients of each country's specialization indices. The Standard International Trade Classification (SITC) breakdown is too big to believe in this statement, since in some cases complementarities may occur in more detailed classifications of goods. Within the machinery and transportation equipment sector, for example, complementarities are equally important.

Hilpert's treatise on trade in Chapter 2 tries to bridge the discrepancies between statistical data given by Japan and China. Including Hong Kong trade, narrows the gaps. This exercise has been carried out by adjusting the IMF Direction of Trade data. He calculates trade intensity using the revised data and observes that it has been increasing. The conclusion that Sino-Japanese trade interdependence is increasing, implying co-operation, is difficult to accept.

Nakagane, who is a well-known China expert, writes Chapter 3. Although his descriptive analysis is informative and pertinent, his regression analysis on Japanese foreign direct investment (FDI) to China is not entirely persuasive. With sixteen annual data points and FDI environmental changes during this period, one cannot believe in the fits as the author claims. In order to assess the future relationships, Nakagane argues that both sides have complained from time to time. While Japanese firms have complained about insufficient infrastructure, the Chinese side has shown dissatisfaction with Japanese FDI. Nakagane concludes that this situation will probably lead to a very delicate relationship in the future.

In Chapter 4, Bhattasali and Kawai provide an evaluation of China's entry to the World Trade Organization (WTO) using a Computable General Equilibrium (CGE) model. They focus on the likely developments in agriculture, manufacturing, and services, as well as those in the aggregate economy, and conclude that the short to medium-term impacts will be significant while the long-term