

Wadhwa, Charan D. and Mukul G. Asher (eds.). *ASEAN-SOUTH ASIA Economic Relations*. Singapore: Institute of Southeast Asian Studies. 1985. ix+384pp.

The need to enhance their economic relations with each other has long been felt by developing countries. However, their efforts in this regard have met with limited success. One of the reasons for this could be that not much serious work has been done to understand the complexities and possibilities of economic relations of developing countries. The complementarities which exist among the economies of these countries remain relatively unexplored. There is a lack of concrete policy proposals which developing countries may follow to achieve their often proclaimed objective of collective self-reliance. All this needs serious and rigorous research efforts. In this perspective, the present study can be considered as a step in the right direction. It examines trade and other economic relations of developing countries of two regions of Asia-South Asian countries and member countries of the Association of Southeast Asian Nations (ASEAN). The study also explores ways and means to improve economic relations among these countries.

The book is divided into two parts. Part I consists of country studies on economic relations of each ASEAN country with the South Asian countries. Each study discusses in detail trade and investment relations during the last decade and a half. Other economic relations, which include tourist flows and the role of foreign financial institutions, have been dealt with briefly. Future prospects of all these relations have also been examined. In part II, economic relations of each South Asian country with the ASEAN countries have been studied on the same lines. In this part a study on Pakistan's economic relations with the ASEAN countries is conspicuously missing. In addition to the two parts, the book contains at the beginning a comprehensive and excellent "Overview" of the country papers by the editors.

The Association of Southeast Asian Nations was formed in 1967 and its member countries include Indonesia, Malaysia, Philippines, Singapore, and Thailand. For the purposes of this study South Asia comprises Bangladesh, India, Nepal, Pakistan, and Sri Lanka. All these South Asian countries are members of the South Asian Association for Regional Cooperation (SAARC). Two small countries namely the Maldives and Bhutan are also member of SAARC but are not covered in this study.

The economies of the countries of the two regions have many distinguishing features. The ASEAN countries in terms of per capita GNP are much more developed as compared to the South Asian countries and have been growing at relatively high rates. Most of the ASEAN countries have relatively high shares of manufacturing in GDP than the South Asian countries have. Another major difference between the countries of the two regions is their orientation towards international trade. The level of participation in international trade of the ASEAN countries is much higher than that of South Asia. The export orientation of the ASEAN economies has contributed significantly towards their fast growth. The outward looking approach and

more competitive conditions of these countries have attracted large foreign private investment. In recent years, the South Asian countries have also started following more liberal foreign trade and investment policies.

In all the country studies, similar methodologies have been used to investigate their economic relations with countries of the other region. The results show that though trade between the ASEAN and South Asian countries has been growing over the years but still each region has not become of overwhelming importance to the other. In each country's total exports and imports, the share of countries of the other region is quite small. Singapore and Malaysia among the ASEAN countries, and India and Pakistan among the South Asian countries account for very large shares in trade between the two regions. It has been found that energy and cooking oil dominate the exports of ASEAN to South Asia. Manufacturing items also occupy an important position in both ASEAN's exports to and imports from South Asia. Since exports of ASEAN countries to South Asia have been growing at a higher rate than their imports, the balance of trade has turned in favour of the former.

Some indices have also been employed to analyze trade relations. To see how a country is represented *vis-à-vis* rest of the world in the exports and imports of a particular country, trade intensity indices of exports and imports have been computed. The values of the indices for different years show how the importance of a country in bilateral trade has been changing over time. Trade between two countries can take place in different as well as similar products. It is quite possible that the two countries may be trading differentiated products which are close substitutes and belong to the same product group. To capture this aspect of trade, intra-industry trade index, developed by Grubel and Loyd, has been used. As noted in the book, the value of the index is sensitive to the definition of the industry. The extent of over estimation of intra-industry trade is positively associated with the level of aggregation of the product grouping used. This deficiency of the index requires that it should be calculated at a highly disaggregated level. However, in most country studies it has been computed at the 3 or 4 digit SITC (Standard International Trade Classification) level. Even at this relatively high level of aggregation, the results indicate that there was very little intra-industry trade between countries of the two regions.

Another index, called index of trade reciprocity, has been employed to measure the degree of trade reciprocity between any two countries or a group of countries. This index indicates the degree of imbalance in trade. However, a problem with the index is that it does not tell which country has the favourable or unfavourable balance of trade.

Since this index is appearing for the first time in published form, the explanation of the index and discussion on it appears deficient.

Each country paper looks at future prospects of trade relations and how trade with countries of the other region can be increased in the future. A few country



studies list some products which can be of import or export interest to countries of the other region. I think it would have been better if such products should have been carefully identified for all countries. Tariff and non-tariff barriers in a country play an important role in determining its trade relations with other countries. Studies covered in this volume either do not touch this aspect or discuss it very briefly.

Investment relations between countries of the two regions are still quite low but have been growing in recent years. India is the only South Asian country which has substantial equity investment in all ASEAN countries. Sri Lanka and Pakistan also have some investment in ASEAN countries. Among ASEAN countries, only Singapore has substantial equity investment in Bangladesh and Sri Lanka. However, in all these cases the shares of these countries in total foreign private investment of the recipient countries are quite low. Indian investment in ASEAN countries covers a wide range of products such as computers, cement, textiles, papers and pulp, precision tools, office furniture. However, Singapore's investment in Bangladesh and Sri Lanka is concentrated in textiles and jewellery.

Among the South Asian countries only India, and to a lesser extent Pakistan, have technical knowledge and resources for undertaking projects in other countries. Some ASEAN countries can benefit from the experiences of India and Pakistan in the agricultural field. In recent years, the South Asian countries have started following more liberal policies to attract foreign private investment. This offers great opportunity to the ASEAN countries to make investments in South Asian countries. Labour being relatively cheap in South Asia, investments in labour-intensive projects can be very profitable for them.

While reading the book one finds that a lot of information has been duplicated. This is quite expected in this type of book which contains country papers. Each country study discusses economic relations with countries of the other region. It would have been more useful and interesting if the country papers would have also discussed economic relations with countries of their own region. The only study which does this is on Bangladesh. Another aspect which all the studies lack is the discussion on differing role of government in the economic development of their respective countries.

The book has been written in the spirit of enhancing South-South co-operation. It contains a wealth of information on the economic relations of South Asian and ASEAN countries. The book is equally useful to researchers, policy-makers and businessmen of the two regions.