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Michael G. Plummer, Peter J. Morgan & Ganeshan Wignaraja (eds), *Connecting Asia: Infrastructure for Integrating South and Southeast Asia*, Edward Elgar, 2016, 416 pp. \$160 Hardcover.

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Abstract. The recent rise in Regional Trade Agreements (RTAs) across the globe can be explained by the growing depth of intra-regional international production networks (IPNs) connecting firms across borders, slow progress of WTO negotiations under the Doha Round, among others. The upcoming RTAs, through granting of preferential tariff to partners and introduction of trade facilitation measures including mutual recognition of standards and customs cooperation agreements, promote trade both in intermediate and final products. Intra-regional trade is increasingly taking place through multi-modal forms of transport, and ensuring seamless connectivity successfully complements the trade policy reforms.

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South and Southeast Asia is not an exception to this regionalism trend, where a number of RTAs have emerged over the last two decades. A substantial part of these two regions are connected by land, though natural terrain and policy obstacles often limit trade flows through these routes. Creating better connectivity linkages between economies from these two regions is likely to enhance their competitiveness further, given the existing complementarities in technology, resource base and labour cost advantages. In this context, the recent volume edited by Plummer, Morgan and Wignaraja is a well-structured and timely contribution to the literature, which analyses the issues pertaining to current connectivity scenario and main constraints to integration between South and Southeast Asia.

The introductory chapter by Plummer, Morgan and Wignaraja notes that while some economies from these two regions followed import-substitution policies earlier, a distinct move towards export-promotion strategies since nineties has been noticed. South-Southeast Asian collaborations started with signing of Bangkok Agreement in 1975 and deepened further with conclusion of the Indo-ASEAN FTA in 2010. However, cross-region trade and investment flows are still limited, owing to existing trade barriers (including tariff, non-tariff and service trade restrictions) as well as connectivity limitations. Conclusion of the Regional Comprehensive

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Economic Partnership (RCEP) negotiations are expected to deepen the inter-regional trade relationship further.

Despite the recent rise, trade flows between South and Southeast Asia is still low, and a significant proportion of the inter-regional trade in through sea route. Through an analysis of the existing and potential land-based trade corridors, Gautrin attempts to identify policies for expanding the trade volume further and the prioritization criteria. The crucial factors for success include overcoming the policy dilemma for governments, working out the economics of investment in land transport infrastructure given low traffic volume, connecting disjointed rail networks and need for a transport transit agreement between India, Myanmar and Thailand.

Given the transportation cost economics under maritime route, a significant proportion of South-Southeast Asia trade flows are likely to continue through this channel. However, modernization of existing ports and development of new ones, legal as well as procedural reforms and establishment of direct connectivity and reliability would enhance the linkages further. Analysing trade pattern across Bay of Bengal, Wignall and Wignall recommends several policies for trade promotion, including development of initial small container terminals in East Indian ports, development of strategic refineries and so on.

While infrastructure development for inter-regional trade promotion is the logical step, accessing infrastructure finance is a key challenge, particularly for the smaller economies and Less Developed Countries (LDCs). Ray explores the investment finance market in these two regions and the current methods. The past experiences suggest that the major challenge is the reluctance from government agencies in adopting the necessary policy framework to operate at the supranational level. While governments need to act in accordance with the long-term economic benefits, multilateral development banks (MDBs) are expected to play a more pro-active role in influencing capital market reforms across countries.

The frictions to trade flows both at and behind the border can be minimized with augmented trade facilitation measures, which involves creation of both soft (e.g., labour skill, regulation, bureaucracy) and hard (e.g., efficient port, rail and road network) infrastructure. Bayley notes that several South and Southeast Asian countries perform moderately in terms of the World Bank Logistic Performance Index (LPI). The main constraints include excessive documentation requirements, inadequate implementation of modern customs procedure, lack of transparency in trade procedures, legislative and infrastructural constraints etc., all of which needs to be urgently resolved.

A number of trade blocs involving South and Southeast Asia are already in operation, while Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and *South Asia Subregional Economic Cooperation* (SASEC) could play more instrumental role in future. Thuzar *et al.* note that the main challenges are in the form of risk and uncertainties, strategic and political obstacles, economic divergence and limited ability for infrastructure creation, which can be met through supports from Asian Development Bank (ADB), implementation of India's 'North-eastern Region Vision 2020' and so on.

While trade within *South Asian Free Trade Area* (SAFTA) and *ASEAN Free Trade Area* (AFTA) arrangements as well as between South and Southeast Asia is on the rise, there is a need to understand how reforms in future has to be planned. A Computable general equilibrium (CGE) model by Wignaraja *et al.* reveals that reforms in tariff and non-tariff barriers (NTBs) will significantly benefit economies from both regions.

Myanmar, an economy which is enhancing its trade relationship with both South and Southeast Asian partners, is located at the crossroad, where the two regions

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meet. However, the 'last mile' linkage is often weak at either sides of the borders. Analysing the possible improvements in road, rail and port networks, Florento and Corpuz discuss how the trade linkage be further deepened, by attracting both government as well as private funds.

India launched a 'Look East Policy' in 1991 that has enhanced its trade and investment partnership with East and Southeast Asia considerably since then. The policy paved the road for 'Act East Policy' in 2014, which aspires to take the relationship to the next level. Engagement with Association of Southeast Asian Nations (ASEAN) countries is also crucial for developing India's regionally land-locked North-eastern states. De discusses how a trade facilitation and transport connectivity between India's North-east and ASEAN countries can deepen trade flows.

Thailand, given its proximity to South Asia is also set to emerge as a major sub-regional hub for trade. Analysing the connectivity scenario for Thailand, Chirathivat and Cheewatrakkoolpong recommend improvements through physical infrastructure development, trade and transport facilitation and expanding infrastructure financing network.

Given the land-border sharing with Myanmar, Bangladesh offers another major corridor for South Asian exports to ASEAN. However, given the state of current infrastructure, unless their development occurs either through multilateral support or through public-private partnerships, the country may be left behind in the regional integration process. Rahman *et al.* note that focus should be both on mobilization of funds and their utilization as well as building skill formation to sustain the process.

Given its land-locked nature, Nepal's trade performance has remained moderate so far and hence the supports through ADB and WTO's 'Aid for Trade' initiatives offer a major opportunity. Taking stock of the ongoing and completed connectivity-related projects, Rana and Karmacharya recommend that the country need to prioritizework on transport connectivity creation and trade facilitation measures.

Sri Lanka, which lies on the international maritime transport route, can serve as a sea transport hub resulting better connectivity within Asian region as well as with other parts of the globe. While operations at the Colombo port has been improved, its performance still lags behind the likes of Singapore, Port Kelang, TanjungPelepas and Laem Chabang. Weerakoon and Perera notes that the scenario needs to be improved through coordinated policies, including domestic resource mobilization, enhancing efficiency of the export sector, integration with growing economies with RTAs.

South and Southeast Asia is home to a number of LDCs, whose development challenges can be tackled by integrating them in the mainstream through enhanced connectivity and export opportunities. In addition, most of the firms located in the two regions are small and medium enterprises (SMEs) in nature, who can deepen their participation in the IPNs only when the connectivity linkages are better, as the current high level of trade cost functions as a prohibitive factor for them. Formation RTAs alone will not enhance trade flows. The regional analysis as well as the country case studies, which clearly brings out the nature of problems in financing the connectivity initiatives and the other obstacles, underlines the need for adopting a coordinated approach for tackling the capacity constraints for the developing countries and LDCs.

As the RCEP (involving India in South Asia and several economies in Southeast and East Asia) negotiations are still going on, the present volume, which extensively discusses the opportunities and challenges in enhancing the integration

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process through better connectivity linkages, is a must-read reference to the academicians, policymakers and researchers who have keen interest in this area.



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