CHAPTER IX

GENERAL CONCLUSIONS

India's trade with South East Asian countries is subject to several restrictive factors. South East Asian countries were long under colonial rule or influence. When their economies were left in the hands of the colonial powers, the result was the development of a resource pattern in the region complementary to western economies furthering trade with Western Europe. The colonies became continuous suppliers of raw materials to industrial, colonial powers. Consequently, trade links of these South East Asian countries were firmly established with advanced countries.

Notable among the advanced countries which had larger shares in intra-trade with the region were the US, the UK, West Germany and France. The USSR, Japan and Australia have been increasingly important trading partners. These advanced countries supplied what developing countries require....

.........Chemicals, machinery, manufactures and transport equipments. At the same time, these advanced countries imported from South East Asia materials in the form of tin, rubber and vegetable oils.
On the other hand, India was also under foreign rule. India's foreign trade relations were more with the ruling country. At any rate, India's trade with South East Asia was at a low ebb. It is thus concluded that age-long political indifference between India and the countries in South East Asia is responsible for minimal intra-trade. Existence of similarities in resource pattern is another factor causing a low level of trade. Although South East Asia represents diverse economic and political features, the region has many identical facets also. They include a high degree of export concentration subject to risks of failures of one type of supply at home or demand variations abroad. While the regional export trade is based on primary commodities, their export prices either fluctuate or are replaced by synthetics. The terms of trade of these countries are deteriorating and the growth of tariff as well as non-tariff barriers makes it inevitable for these developing countries to adopt certain policy measures involving import substitution and export diversification. A common experience of South East Asia is speedy industrialisation and its sphere may extend far beyond light industries provided there is a sufficiently large export market. Such a large export market may also be provided by a regional scheme for economic co-operation.
Like the various economies of South East Asia, Indian economy is also subject to export concentration. Three items, viz., Tea, cotton textiles and jute have long accounted for a substantial part of the export-earnings. Being primarily a developing country, India was not in a position to supply the requirements of the developing countries in South East Asia while trade with the region was actually governed by other considerations such as aid in the form of long-term loans, suppliers' credit, technical know-how facilities and project collaborations involving both technical and financial participation.

While there has existed a low level of trade turnover, India's balance of trade with the region became favourable only in the beginning of the 70s although the seventies have marked an actual decline in the exports of India's traditional items. The exports of new items have been larger while the trend of traditional imports from South East Asia has been on the decline. For purposes of establishing closer trade relation with South East Asia, it is relevant to be aware of the varying government attitudes and policies of the different countries in the region.
The reduction in India's exports of traditional items to South East Asia is largely attributable to import substitution in the latter. The wide-spread growth of cotton textiles and jute industries in South East Asia naturally decreases India's over-all exports of such products. Increasing local procurement of sugar, manganese ore and fish requirements naturally inhibits exports of such items whereas exports of such items such as coir, coir-based products, fruits and vegetables lack quality or competitiveness.

On the other hand, non-traditional export items have evinced sufficient export-buoyancy and engineering goods are most prominent. Import-substitution as regards these non-traditional items which are essentially heavy industrial products is a remote possibility for South East Asia.

Due consideration ought to be given to careful packing, excellent after-sale service or maintenance of proper delivery schedules. Price and quality are decisive factors in India's export strategy, particularly with reference to South East Asia which has had long trading association with developed countries. India's export potentiality is handicapped, in certain cases, by insufficient production. This observation is true of items like paper manufactures.
The decline in India's imports of copra, vegetable oils, mineral fuels, manila hemp and non-ferrous metals including tin and lead is due to increased domestic production and growth of various substitutes. Reduction in India's imports of rice and natural rubber is associated with depleting foreign exchange resources, growth of synthetic substitutes for rubber as well as increased domestic production or availability of better alternative arrangements, say, P.L. 480 agreements with the USA.

Imports of vegetable oils, consisting of palm and coconut, were decreased partially owing to the sluggish production trends in the exporting countries, namely, Malaysia and Singapore. Existence of alternative sources in West Europe, the Soviet Union and the US along with increased substitution of these vegetable oils by less-known oils and synthetic detergents for purposes of manufacturing soap and margarine account for the declining trend of imports.

In case of mineral fuels and manila hemp, there was a production shortage in the exporting countries and manila hemp could be replaced by synthetics. Unless replaced by aluminium or unless the electrolytic method is adopted, tin will long continue on India's import list. However, imports of lead from Burma will decrease as the
Burmese price is internationally uncompetitive and as lead is increasingly replaced by plastics. Under these circumstances, it remains only to observe that the volume of Indo-South East Asia trade is comparatively quite low.

Measures to strengthen India's trade-ties with South East Asia include joint venture projects, bilateral trade agreements and schemes for regional economic co-operation. In the field of joint ventures, five South East Asian countries, viz, Malaysia, Singapore, Indonesia, Thailand and the Philippines have welcomed joint ventures projects with India. These joint ventures will consequently encourage exports of capital goods, building machineries and technical know-how. Consultancy services relating to iron & steel, oil-refining, petro-chemicals, cement, sugar, textiles and other light engineering industries could also be exported.

Besides joint ventures, bilateral agreements on trade and payments which are also consistent with the provisions of the GATT and the IMF will help an expansion in intra-trade. India has had bilateral agreements with at least four countries, viz, Burma, Thailand, Indonesia and the Philippines. It was, however, seen that the coverage of the agreements had no strict enforcement or simply
included all available items irrespective of the actual needs of the contracting parties. While such lacunae must obviously be removed, payments agreements should always accompany trade agreements.

Finally, a scheme for regional economic co-operation suggests itself. Regional economic co-operation may, however, assume varied shapes serving varied purposes. In South East Asia where exports fluctuate and are limited, and where rapid industrialisation is expected, regional economic co-operation is highly essential. The low per capita income level, as it obtains in South East Asian countries, along with the limited size of the market reinforce the case for such a regional approach.

Difficulties of regional economic integration are manifest in the diverse monetary, commercial-cum-political connexions of the region which is again characterised by the existence of intra-regional politics, different ethnic, religious, cultural and linguistic strands on the one hand and the absence of infra-structural links on the other hand. The general conclusion has, however, been that provisions can be made within the framework of a regional economic plan to maximise the advantages of regional economic integration. It was suggested that infant industries might be allowed temporary protection; the regional
intra-structure could substantially be improved; a shock absorber could possibly be created to absorb potential unemployeds and identification of actual as well as potential exportable surpluses along with import requirements in all sectors could conceivably be undertaken.

A regional investment policy could be conceived of to avoid unnecessary duplications. Programmes of agreed specialisation have to be promoted in both industrial and agricultural sectors.

While a common external tariff is also suggested for effective use of joint bargaining strength, harmonisation of monetary policy is also recommended to avoid either over-valuation or under-valuation of currencies. Coordination is required in economic, financial, commercial, fiscal and balance of payments policies, and policies concerning freedom of movement of labour and capital.

Gradual reduction of tariff and non-tariff barriers could begin with a few commodities while membership also could initially be restricted to a few countries. The scheme for regional economic integration could also be assisted a Secretariat Body such as the ECAFE Secretariat. Such a scheme could also be supplemented by a payments arrangement.
In South East Asia where countries are facing external imbalances or inelastic international demand or the growth of synthetics in export markets, import-substitution becomes a necessity. It becomes more effective on a regional basis while payments arrangements will only help liberalising import-restrictions among the countries themselves. Whereas foreign assistance of an institutional type would certainly be necessary, reserve-gaining countries like Malaysia, Thailand or even Japan could be expected to contribute to the regional reserve fund.