An objective appraisal of India's trade with countries of South East Asia involves a realistic probe into the nature of the latter's production, import and export patterns. As a pre-requisite to a study of India's external trade with the region, it is essential to be aware of the process of industrialisation that has set in the region.

South-East Asia is an imprecise geographical concept. Geographers generally sub-divide the Asiatic triangle into three realms (a) South Asia comprising of India, Pakistan and Ceylon; (b) East Asia covering China, Korea and Japan; (c) South East Asia covering Burma, Thailand, Indo-China, Malaysia, Indonesia and the Philippines (Kirby, Stuart: Economic Development in East Asia, George Allen & Unwin Ltd, 1967, London, p.19).

A more elaborate classification is quoted below from The Far East & Australasia, a survey and Directory of Asia and the Pacific (1969) indicating a more or less identical geographical extent of South East Asia which is also accepted for purposes of this study.

(a) South Asia: Afghanistan, Ceylon, India, Maldives, Islands, Pakistan, Nepal and Sikkim.

(b) East Asia: China, Hongkong, Japan, Korea, Mongolia, Macao, Portuguese Timor, Ryuku islands, Taiwan, the USSR in Asia, Soviet Far East & Eastern Siberia.

(c) South-East Asia: Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, Singapore, Thailand & South Vietnam.
There are, however, other factors which are of definite importance in shaping India's trade with countries of this region over a number of years. They have been of a socio-political nature and the study naturally involves a reference to them and their significant impact upon the structure of South-East Asian economies and also upon the network of their international trade.

For many years, the region had been subjugated to the control of western powers that exercised a potent influence in shaping the production pattern along with the trading framework of countries in the region. While an export economy would be a suitable model of analysis, an attempt is made in the next chapter to study the pattern of export specialisation and import necessaries with a subsequent effort to sketch the regional trading framework which bears marks of an age-long colonial super-structure. When an Actual study

2. Malaysia, Singapore, Burma and India were under British rule; the whole of Indo-China was under French administration; Indonesia under Dutch control while the Philippines first ruled by the Spanish came gradually under American administration.
is undertaken of the trading framework of the region, the validity of an observation made by the United Nations two decades ago reverberates itself to-day: "In fact the political control of western powers over the greater part of Asia and the Far East accompanied by the inflow of western European capital, enterprise and technical skill into these territories brought about a development of trade which took the characteristic form of export of raw materials and crude foodstuffs in exchange for manufactured goods".

In the context of such a background, India's trade with South East Asian countries could not be expected to yield substantial dividends. This will poise as no surprise when all throughout the region, national economic similarities are revealed as can be seen from Table No.1-1.

3. United Nations: A study of trade between Asia and Europe, 1953, Newyork, P.1,
The whole area of South-East Asia may be characterised as "under-developed" or "developing" reflecting a basic dependence on the primary sector as the major source of national income. In Burma, the share of the primary sector marginally rose and that of the secondary sector slumped down from 16 percent to 10 percent. Thailand, on the other hand, recorded a decline in the former and an increase in the latter from 13 to 19 percent during the period under review. Malaysia followed Thailand more markedly as the share of the primary sector slumped to four-fifths of the earlier one as against the rise in the share of the secondary sector by 5 percent, from 14 percent in 1961 to 19 percent in 1966. The share of South Vietnam's primary sector moved downwards along with that of the secondary sector while in the Philippines both remained more-or-less steady throughout the sixties. The data available for

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4. While 'developing' came to be the standard designation for primary producing countries with low per capita incomes, Prof. Benjamin Higgins would consider this term a misnomer. According to him, these countries are not developing at all and the term 'developing', if literally used should apply to countries like the USA, Canada or Australia rather than to Asian or African Countries. He would, however, prefer 'under-developed' as a technical term to mean that per capita incomes are less than one-fourth of that of the USA.

a couple of years reveal the widest gap between the shares of the primary and the secondary sectors in Cambodia where both marginally fell reflecting the higher contribution of the tertiary sector. In Indonesia as well as in India, the gap between the two has been very significant while in the former the share of the primary sector was steady at the highest level. In the latter, even heavy investment did not result in any favourable shift, leaving the share of the primary sector at a high level.

It is evident even from a cursory glance at the data presented in the foregoing table that the region exhibits a conglomerate of many emerging independent nations on the verge of industrialisation, but not yet industrialised.

The pattern of trade is, therefore, one as exists among developing countries at similar or similarly varied stages of economic development, countries which produce competitive items and export them to the world, and import common items such as machinery, iron and steel and other industrial products from industrialised countries.

While all this would naturally preclude any substantial intra-trade, India's trade with South East Asian countries will be reviewed on the basis of selected items with proper emphasis on their problems and prospects.
After such a critical analysis, the dimensions of the study are enlarged to include certain policy measures which, if adopted with a degree of seriousness, would promote intra-trade on a large scale. The suggested policy measures include joint ventures, bilateral trade and payment agreements or even a regional market scheme with a payments system whose feasibility, apart from the technical aspects, would exact the highest degree of economic partnership among these countries. In this context, the pertinent question may be asked: "Given the socio-economic-cum-political factors in South East Asia, can we sustain this vision?" This necessitates a closer look at the socio-economic-cum-political features of the region in historical perspectives which will reveal a lot of diversities as well as similarities in South East Asia. A study of them will make the coastline clear and will facilitate the formulation of objective judgements.

SOUTH EAST ASIA'S DIVERSITY:

The entire region is multi-racial, multi-lingual and multi-cultural with diverse historical backgrounds. Before attainment of political freedom the region had multifarious links with different colonial powers. The impact of this was, besides directing exports of these countries to other countries supplying manufacturing items, the development

of a resource pattern in the region complementary to western economies furthering trade with Western Europe. The manifestations of such a great impact have been, inter alia, in the form of the region's different monetary connections and different trade preferential arrangements.

Apart from these, there are some sharp differences which are conspicuous in post-independent South East Asia, particularly in the field of trading policies, and policies which affect general economic development in the region. Malaysia, Thailand and the Philippines have followed outward looking policies for development while Burma and Indonesia have followed inward-looking policies of development which induced their governments to take over a large

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7. One is the familiar Commonwealth Preference scheme with its dwindling importance which is centered round the U.K. with her commonwealth partners such as Malaysia, India and Singapore. The French preferential scheme covered Cambodia, Laos and South Vietnam which were formerly united as Indo-China. The Philippines was similarly bound with the U.S. through bilateral agreements for a mutual preferential scheme. A concomitant feature of this web of preferential schemes is the association of these countries with one of the currency blocks.
Part of the economic sector. These two latter countries, quite contrastingly with Thailand, Malaysia, Singapore or the Philippines have discouraged joint enterprises with foreign governments. But the other countries offer positive economic incentives not only to foreign enterprises but also to their nationals, subject to government control. In contrast, countries like Burma and Indonesia were obsessed by the fear that once these foreign enterprises were allowed to re-establish themselves in the export industries, they would regain their stranglehold on the economies. They, therefore, felt that the right policy was to take advantage of the war-time breakdown in production to discourage the enterprises from renewing their activities. The governments of these countries carried out extensive nationalisation of foreign companies on the ground that the exploitation of natural resources was too valuable and important to be left in the hands of foreigners. Concluding the discussion, Prof. Hla Myint even maintained that the inward looking policies were responsible for the poor economic performance of countries like Burma and Indonesia. 

Besides these differences in economic rationale and policy-orientation, there are sharper differences on the political front. Democratic forms of government exist in India, Malaysia, Singapore and the Philippines. Elsewhere in the region, the administration is organised by some form of dictatorship. Similarly, the foreign policies of these countries differ. Thailand, Malaysia and South Vietnam have leaned towards the west while Laos, Cambodia, Indonesia and Burma have maintained a precarious neutrality. Moreover, there have been historical enmities between Burma and Thailand and also between Cambodia and Thailand. This will likely create a strong prejudice against strengthening trade ties among these countries including the formation of a regional trading arrangement. In this respect, South East Asia differs from Latin America where race, religion, culture, history, similar economic and political systems and similar foreign policies contribute to pave the way for regional co-operation.

IDENTICAL FEATURES OF SOUTH EAST ASIA?

There are, however, some common aspects of South East Asian economies which confirm the importance of an effort to promote intra-trade in the region, and also render a unique advantage for such a purpose.

As will be seen from Chapter two, South East Asian countries have a high degree of export concentration and are frequently exposed to risks of either a failure of one type of supply in isolation, or to demand variations abroad. 10

In the short run, adaptability to changes in world demand is obviously small with high export concentration, although in the long run it is not completely ruled out as is proved by the experience of the Philippine economy in which logs and lumber have come reasonably close to changing place with sugar.

10. As the Economic Commission for Asia & the Far East points out in its 1968 'Survey', exports are largely concentrated in such commodities that constitute a large part of the world supply such as Malaysian rubber and tin which account for 57% and 53% of net world trade respectively; Philippine coconut products which form 26% of world supply and Thai rice which constitute 25% of world trade, the risks would be minimised in the short run, because the chances of foreign demand moving abruptly due to changes in foreign supplies is lessened and also because the failure or abundance of domestic supply is likely to influence the external price in a compensating sense.
In South East Asia where dependence on exports is large, it is difficult to stabilise the industry's income which was faced with a low foreign demand and this difficulty is all the more intensified when the regional export trade is based on primary commodities.

The Economic Commission for Asia and the Far East have summed up about the trading experience of South-East Asia in particular and the ECAFE region in general as follows:

(1) While the debate whether the terms of trade should be viewed between primary and industrial products or between industrial and under-developed countries is hardly important in the South East Asian context, most countries in the region have been able to free themselves from the deteriorating terms of trade of primary products as against manufactures because of their semi-monopoly positions in the export products. Malaysia's rubber and tin and Philippine's abaca can be cited as examples of such semi-monopoly products.

As can be seen from Appendix No 1-1 which indicates comparative terms of trade as well as capacity to import positions of several South East Asian countries, there was a steady rise in index value to 114 and 133 respectively in 1962 (over 1953) in case of India and Malaysia; while in case of Thailand, the Philippines and the
Republic of Vietnam, the terms of trade indices fell to 90, 78 and 73 respectively.

In the Philippines and the Republic of Vietnam, increases in export were more than sufficient to offset the loss of foreign exchange proceeds from the deterioration in the terms of trade so that they were able to increase their capacities to import fast enough to meet their import requirements.

(2) Year to year fluctuations in international primary product prices, more felt than in industrial prices, are typical of the region, resulting in fluctuations of regional export-receipts. Such fluctuations which may inflict considerable damage on plans of economic development in the region are possibly intensified by the lack of short-term mobility in the production structures of South East Asian countries, particularly in the plantation sector.

11. In the plantation sector, a particular tree, say, of rubber, may take 3 to 5 years to come into bearing and may bear for 30 to 50 years. The long gestation period and the long life of productive capacity influence comparative immobility and production is likely to be carried on as long as variable costs are covered, and this will cause a delayed reaction in secular price movements.
(13) In common with other developing countries, certain export items in the region face increasing substitution by other items as well as by synthetics. Recent development in technology have lessened the industrial uses of tin, vegetable oils and jute products. Statistical Table No I-2 gives a comparative picture of production and consumption of natural rubber as well as of synthetics:

<table>
<thead>
<tr>
<th>PRODUCTION</th>
<th>CONSUMPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years : Natural : Synthetics : Natural : Synthetics : rubber : rubber :</td>
<td></td>
</tr>
<tr>
<td>1951-3 : 1616 : 936 : 1655 : 872</td>
<td></td>
</tr>
</tbody>
</table>


Note: Figures are in terms of '000 tons.

With a rise in consumption of natural rubber by about 32%, consumption of natural rubber rose by 20% as against the rise in production by about 140%. The fast rise in the production of synthetics which started in the early fifties to meet shortages in natural rubber production in the context of the expanding automobile industry in Western Europe, as can be seen from the above table, surpassed that of natural rubber.
by 1962.

The problem of competition from synthetics is somewhat more complex for cotton textiles than for natural rubber because the progress made during the 50s in the industrialised countries by rayon and even more by synthetics did not arise from a shortage of cotton but from the technical advantage of some of the new synthetic fibres in specific utilisations.

The production of synthetics, on the other hand, rose rapidly during the 1950s, it doubled in about three years in North Western Europe and Japan, and the technology is in constant revolution. Technical progress and change in the commodity pattern of world production led to a decrease in the share of imports of raw materials for industrial production.13


Finally, with the growth of tariff and non-tariff barriers hindering exports of developing countries to developed countries, South East Asian Economies faced the problem of insufficient growth, depending on inflows of foreign capital or reduction in their foreign assets as a means of financing imports. This can be seen from Table No.1-3, which indicates comparative capacity of exports to finance imports in selected six countries.

<table>
<thead>
<tr>
<th>Countries</th>
<th>% of imports financed</th>
<th>Capital inflows</th>
<th>Reduction of foreign assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burma</td>
<td>107.3</td>
<td>-2.6</td>
<td>-4.4</td>
</tr>
<tr>
<td></td>
<td>91.5</td>
<td>11.9</td>
<td>-2.9</td>
</tr>
<tr>
<td>Indonesia</td>
<td>94.2</td>
<td>1.1</td>
<td>5.6</td>
</tr>
<tr>
<td></td>
<td>82.0</td>
<td>17.6</td>
<td>2.8</td>
</tr>
<tr>
<td>Philippines</td>
<td>87.9</td>
<td>11.8</td>
<td>3.8</td>
</tr>
<tr>
<td></td>
<td>82.7</td>
<td>17.5</td>
<td>2.8</td>
</tr>
<tr>
<td>Thailand</td>
<td>94.6</td>
<td>3.6</td>
<td>-1.6</td>
</tr>
<tr>
<td></td>
<td>90.4</td>
<td>13.0</td>
<td>-5.9</td>
</tr>
<tr>
<td>S. Vietnam</td>
<td>19.2</td>
<td>81.6</td>
<td>-2.9</td>
</tr>
<tr>
<td></td>
<td>36.4</td>
<td>66.8</td>
<td>-3.0</td>
</tr>
</tbody>
</table>

Sources: ECAFE Secretariat, Bangkok.

Notes:
(1) There are provisions for net errors and omissions.
(2) Capital inflows include both private and official funds.
(3) Minus signs in the last column indicate increase of foreign assets.
(4) Comparative post-1962 figures are not available.
As can be seen from Table No I-3, in all South East Asian countries barring South Vietnam exports could finance a larger proportion of imports during 1951-56 as compared to 1957-62.

While reductions in import capacities of export were not so conspicuous in case of Thailand and the Philippines when the performance of 1957-62 is compared with that of 1951-56, such reductions were considerable in cases of Burma, India and Indonesia.

The trade gaps have been filled in by capital inflows or, by considerable reductions of foreign assets, and in the last analysis, these countries have to do something vital to maximise their export-receipts and to minimise their annual fluctuations. Such a policy decision has to involve import substitution and export diversification particularly in the field of the manufacturing sector. While an account of industrialisation in the region follows subsequently in this chapter, it may be borne in mind that the process of heavy industrialisation will have a limited success in view of the small, limited markets in South East Asia and also in view of the restrictions on imports of processed goods into advanced countries rather than on imports of raw materials.  

While the markets guaranteed by International agreements such as the Commonwealth Sugar Agreement or, the International Tin Council are not obviously sufficient for stabilisation of export receipts, a gradual climax in competitive self-sufficiency within the Asian zone itself such as exemplified by rice would lead to great instabilities in international trade in the long run.

All these considerations would strengthen the case for regional trade co-operation, larger in geographical scope as well as in the economic sphere than the present association of South East Asian nations. Instances of such regional co-operation are not lacking. Formation of the Asian coconut community under the ECAFE auspices or the Asian pepper community are cases in point.

**INDUSTRIALISATION IN SOUTH EAST ASIA:**

A common experience that South East Asian nations enjoy recently is the hectic industrialisation that has accompanied political freedom. Fluctuations in unit prices as well as in export volumes have quickened the tempo of industrialisation and it will be of significance for all these countries in whose national economies, only a few, limited products dominate the export trade and play a predominant part in the economic and financial life of the countries.

And the interchange of goods among these less-developed countries will play a greater role as they advance in the process of industrialisation.

17. 21 Bachmann: Op.cit.p.15

The relation between industrialisation and the growth of foreign trade has been quite a controversial theme. J.M.Keynes (in his art."National self-sufficiency, Yale Review, June 1963) and D.H. Robertson (in his art. "The future of international trade,Economic Journal March, 1958) held the view that industrialisation, by closing differences in relative costs of production, diminishes the scope of division of labour and international specialisation, Jacob Viner (International Trade and Development, Princeton University, 1957) is sceptical of any positive correlation between planned growth and free international trade since, in his opinion, planned development would lead to national autarchy, thereby reducing the scope for specialisation and international trade.

L. Dominguez (International Trade, Industrialisation and Economic Growth, Pan American Union, 1954, Washington, P.153) also holds a similar view and says that with reference to primary producing Vs industrial countries:"To the extent to which primary producing countries succeed in industrialising, their imports of certain fabricated manufactures will contract, and this will make it somewhat more difficult for the older industrial countries to obtain the primary commodities in the desired volumes."

However, the events of the 1930s seem to belie these various arguments as the decade witnessed a faster rate of industrial growth and a faster rate of increase in intra-trade among industrial countries. Industrialisation increases the productivity of labour and results in a greater supply of manufactured goods, This will again stimulate the production of primary commodities for sale. Thus industrialisation tends to increase the country's ability to export and thereby helps to finance an increased import of manufactures.

This conclusion was reached long back by Folke Hilgert in his classic study of the effects of industrialisation on international trade "Industrialisation and Foreign Trade", (Maizels, Alfred : Industrial Growth and World Trade, National Institute of Economic and Social Research, Cambridge University Press, 1963,London,p.6)

As to industrialisation in the short run, the developing countries will have a great need for equipment from advanced countries; while in regard to the longer run, the evidence from history suggests that countries will trade more with each other if both are industrialised than if one of them is industrialised and the other not. In support of this theory, trade in primary products has expanded less than in manufactures. For example, trade in machineries has increased tremendously since 1913, and its overwhelming importance is likely to persist,(Yates,P.L. Forty Years of Foreign Trade,1959, London,P.10).
To quote Prof. Harry G. Johnson this process of industrialisation and drive towards planned growth would constitute a fundamental change in the political and economic structure of international relations in the past seventy years. 

Given such a background, countries in South East Asia are impatient and the United Nations reflects: "Whatever the degree of reliance on private enterprise, the role of the public sector in economic development specially in industry is bound to be large; and countries appear to differ merely according to their strategy and social system in terms of phasing of public intervention in the process."

Burma, for example, its leaders and advisors said long back, should industrialise and remove the presumed stigma of remaining a producer of primary products subject to the inequalities of having to trade raw materials for manufactured goods.

18. Johnson, H.G. op. cit., p. 1
Import statistics presented in Table 11-13 in the next chapter indicate a distinct bias towards items closely connected with the development programme, and during the period 1938-39 to 1955-56, imports of capital goods rose about sixfold while imports of consumer goods rose by about 3.5 times only (Appendix 1-2).

In Thailand, light industries such as cement, textiles, paper and chemicals have been the core of industrialisation and with a rapid utilisation of resources, the rise in gross national production rose by about 60% during the period 1953 to 1962 at constant 1956 prices (Appendix 1-3). The country's imports also indicate a phase of growing capital accumulation (as noted in Table No.11-17) which will enable her to advance at a quicker pace. The annual growth rates of Thailand's imports have been highest recorded in case of crude materials, machineries and transport equipment during the period 1955-56 to 1963-64.


22. Annual growth rates of Thailand's imports, based on S.T.T.C. classification are indicated in Appendix-1-4. It is seen that during the period 1959-60 to 1963-64, while other groups rose by less than the overall growth rate of 9.8% a year, imports of crude materials, machineries & transport equipment rose by more than the annual growth rate.
In an actual import distribution, however, imports of manufactured goods which comprised nearly 50% of total imports in 1955-56 dropped to a little over one-third in 1963-64, while the share of machineries and transport equipment rose from less than one-fifth to less than one-third.

In Cambodia, industries are fast developing and these industries include, inter alia, motor vehicles, assembly plants, cigarette manufacturing concerns, match and metal factories, textile mills, plywood factories, sugar and other primary processing industries. While Cambodia's structure of import trade, as noted in Table No. 11-14, would naturally be associated with items essential for internal economic development, the growth of activity particularly in the small sector is illustrated by the fact that 186 new licenses were issued in 1956, and out of them 139 were for power mills.

In war-torn South Vietnam, prospects for industrial development were less bright on account of the military situation, the size of markets, lack of resources as well as that of entrepreneurial know-how. However, as the Report of the Technical Assistance Programme of the UN pointed out, light

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23. The changing structure of imports through the period 1955-56 to 1963-64 may be noted from Appendix 1-5.

Industries such as bicycles, scooters, bricks, handicrafts, flour mills and agricultural implements would be suitable for the South Vietnamese economy.

In Malaysia where industrial development rests mainly with the private sector, a proliferation of industries has resulted. The first phase of the Malayawatta steel project which is an integrated steel mill with government participation came into existence in 1967.

Besides establishment of re-rolling mills using imported billets as raw materials, new capacity came into existence for the assembly of vehicles and agricultural implements as well as for the manufacture of consumer durables.

Both Malaysia and Singapore, at the time of independence, exhibited many of the classical characteristics of colonial economies relying on the export of one or a few primary commodities and import of most manufactured goods including a substantial proportion on food. With political freedom, the governments committed themselves to industrialisation programme, major objectives being to diversify the economies and to afford employment opportunities for the rapidly expanding population.


Over 80% of Singapore's external trade is estimated to be entrepot trade, and industrialisation in this area has been based on the needs of this entrepot trade, while the industrial sector includes rubber footwear, coconut oils, soap, tobacco, bricks and sawn lumber etc.

Indonesia which was long involved in political and economic chaos could make little industrial headway, owing to its own internal policy errors. That the industrialisation process did not produce any positive effects is corroborated by the fact that while in 1939, four export items, viz rubber, oil, tin and copra contributed to about 57% of the total foreign exchange earnings, while their contribution by 1956 rose to 77% with rubber alone representing 44%.

The stagnation in Indonesia's export industries reflected in the deteriorating physical volume of exports is a part and parcel of the stagnation in development. Efforts at economic diversification are, however, not lacking and the country's five-year development plan of 1969-73 aimed at maintaining a G.N.P. growth rate of, at least, 3%. While the


28. While Statistical Table No. 11-11 would indicate Indonesia's export trend in terms of comparative percentage from 1957 onwards, Appendix 1-6 would indicate a comparison of Indonesia's export volumes up to 1957 with 1938 as the base year, and it is seen that the volume of physical exports declined to 47 only.
larger and small scale industries (combined together) accounted for less than 10% of the national product in Indonesia's economy in 1968, the plan provided an ambitious programme of rehabilitation with a better agriculture and a better use of the existing industrial capacity.

The Philippines, on the other hand, has been transformed industrially since independence in 1946, and the economy consists mainly of consumer goods industries which made impressive growth in recent years.

The 4-year plan of 1967-70 was fairly oriented towards strengthening the economy's traditional and modern sectors, while the main objects of the plan were to alleviate the credit shortages, to create employment opportunities in industry by means of a cottage programme and to hasten the change of manufacturing output towards basic and intermediate products by providing long-term financial support to projects in the demand industry lines, favourable factors such as the existence of an already established manufacturing sector and government's control of a substantial part of long-term credit available to industry, will enable direct investment into desired industry lines.

29. As regards the growth of manufactures production in the Philippines, the index has risen to 226 in the first nine months of 1967 since 1955. The volume of production of durables stood at 273, as can be seen from Appendix 1-7.

Industrial development in the Philippines received considerable support from the investment Act introduced in September, 1967 and towards 1968, as many as 101 firms applied for registration under the Act, about sixtyfive in the manufacturing sector and thirteen in the mining sector. They included the Illigan integrated Steel mill projects, the first of its kind in the country, and also an integrated aluminium steel plant exhibiting a distinct bias towards large-scale establishments which in 1968 accounted for about 80% of the total output with 25% of the total employment.

While industrialisation in the region will widen the range of profitable intra-trade, certain natural limits to industrialisation in the region present themselves. Since domestic markets are small, a strategy based on inward orientation will hardly succeed and it remains only a second best. Under the circumstances, it is concluded that all the industries must be export-oriented.

When faced with an insufficient export market as in the case of South East Asia (including India), a regional economic integration is perhaps worth an attempt, as the case for economic integration among developing countries has already appealed to many economic thinkers.

INDIA'S EXTERNAL TRADE: RECENT PROBLEMS AND PROSPECTS:

While in earlier sections, an attempt was made to outline some general features of South East Asia, it becomes imperative now to enter the Indian context and see the true perspectives of the problems, as preliminary to a study of India's trade with South East Asia.

33. J.R.Hicks says (Essays in World Economic, p.188) planned development will bring under-developed countries a day when they can hope to become exporters of manufactured goods to advanced countries, the case then may not be so hopeless as they should get themselves into a position where they can sell the easier sorts of manufactures to one another. Also see, Myrdal, Gunnar: 'Economic theory and under-developed regions' or 'Beyond the Welfare State', (1958). Kitamura, Hiroshi: "Foreign Trade problems in Planned economic development in "Economic development with special reference to East Asia", edited by Kenneth E.Berril, (1964)

While Prof. Kitamura would plead for economic collaboration among under-developed countries in preference to the illusory world-wide multilateralism. The Economic Commission for Asia and the Far East is another champion of regional economic integration, ("The ECAFE's various papers such as 'Economic Bulletin for Asia & the Far East, December, 1964; 'Trade liberalisation in the ECAFE region' in "Regional Economic Co-operation" Series 2, ECAFE, Bangkok, November, 1965).
Although the process of industrialisation had started long before, Indian economy has been, and continues to remain basically agrarian in character. Moreover, like most of the other countries in the region, three items; tea, jute and cotton textiles dominate India's export structure (Table No I-4) accounting for about one-third of the total exports.

However, export-dependency on the three items was markedly reduced during the past one decade, paving the way for the emergence of new and non-traditional items. A concomitant feature is the relatively poor performance of India's traditional export sector. While the first five agricultural commodities, as indicated in Group A, constituted on an average, more than one-tenth of the total exports during the first half of the fifties, the share of this group went on declining swiftly thereafter to less than 8 per cent during the seventies.

Group B items consisting of coffee and sugar recorded an increase to 4.3% in 1964-65 from mere 0.07% in 1951-52 and then showed an uninterrupted declining trend till the close of the sixties. They have recovered during the seventies. Group C items consisting of manganese ore, iron ore and coal showed relatively a steady export trend till the early sixties as the period thereafter recorded considerable improvement, in both absolute and relative terms.
The share of Group E items (vegetable & non-vegetable oils, oilcakes, leather and leather products) has been moving in the most erratic manner and recently rose to 10.7% (in 1970-71) as against 5.6 per cent in the beginning of the fifties. The reasons behind export sluggishness in regard to items listed earlier may be analysed as follows:

International demand for tea has grown at the rate of 1% while production goes ahead at the rate of 3% per annum. Ceylonese and East African teas have offered serious competition which has necessitated for India to undertake suitable export measures such as quality improvement, price competitiveness and scientific packaging. In the absence of these remedies, India's tea exports cannot be expected to register any substantial rise.

In the field of jute manufactures, apart from increasing production costs and rising industrial prices, development of synthetic such as polypropylene, and of paper bags and multi-wall paper sacks has made export prospects gloomy.

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34. While the net level of world trade in tea is expected to rise by 2.2% to 2.6% a year during 1960-75, Indian exports of tea are estimated to go up from 203 million kgs in 1967-68 to 231.4 million kgs in 1973-74, on the basis of the lower rate of 2.2%.

This prediction is associated with projected lesser quantities of import requirements as against export availability projections.

While the world trade in cotton textiles is considered essentially stagnant at 0.8 million tonnes per annum, the world market for cotton textiles will continue to decline in proportion to world output which increases as more countries produce cotton textiles. In addition to the general depressing features of the industry in India such as low productivity of labour and lack of capitalisation, the industry faces a stiff international price competition from Japan.

India accounts for 8 to 9% of world production of tobacco. Her exports, mostly of the Virginia type have suffered because of various factors such as the tariff policies of export market countries, growing competition from Africa,

35. By 1975, world export availabilities are estimated in the range of 2.24 to 2.65 million tonnes which compare unfavourably with net import requirements estimated at between 1.84 and 2.28 million tonnes.


37. Whereas the wholesale prices of cotton textiles in Japan in 1960 were lower than in 1953, prices rose by exactly the same percentage in India during the same period, V. V. Singh, Manmohan: Export Strategy for take-off; Economic Weekly, Bombay, 1963, p. 1286.
domestic non-availability of Virginia tobacco and the general suspicion that cancer is caused by smoking. The US sales of tobacco under P.L.480 to a number of countries, on payment of local currencies, is another factor hindering India's exports of tobacco.

India's cashewnut industry is likely to suffer on account of the beginning of large-scale processing of cashewnuts in Mozambique and Tanganyiaka.

While it is not the purpose to have a detailed study of India's export trends, item by item, this much is made clear that India's export stagnancy till recently is to be viewed in the light of the generally inelastic external demand for India's traditional export items as well as in the light of the inadequate production base of other items in the category of manufactures and semi-manufactures.

When, during the period 1952-53, world trade trebled itself, India's foreign trade increased by 42% only. While the economic growth rate was 3.5% per annum, the growth rate of foreign trade in terms of value was 2% only as a result of which, the exports as a percentage of India's national income declined from 5.3% in 1952-53 to 4.1% in 1967-68.
Under the circumstances, it is but natural to expect increasing import substitution in agricultural raw-materials; while the main endeavour during the plans was to develop a necessary infra-structure along with a base of industrial manufacturing capacity on the basis of indigenous production.

This is all the more felt when, in India, the capacity of exports to finance imports is rather limited and also when the necessary size or magnitude of exports as visualised by the Planning Commission for realising growth targets sharply contrasted with the actual export performances.

While conceding, in viewing of the export gap, that an expanding export trade should be a dynamic sector in her development process, the basis of such a future export expansion seems to lie with India's manufacturing sector which includes several items such as iron & steel, chemicals, transport equipment and machineries.

38. In the first plan, India's exports were 83.7% of Indian imports whereas in the second and third plans, they were 62.4% and 61.5% respectively showing a diminishing trend. During the 4th Plan, exports have been estimated to finance 85.3% of total imports. According to the Balance of Payments Projections of the Planning Commission, even by 1978-79 which is the terminal year of the 5th five year plan exports are envisaged to finance only 93.2% of total imports.

39. When the objective of the Planning Commission is to ensure economic growth at a rate of 6.2% per annum by 1985-86 (which will be the second year of the 7th Plan), it is obvious that the export effort must considerably be stepped up. According to Planning Commission projections, by 1985-86 exports are envisaged to finance 113.6% of total imports, this target being realised as early as 1983-84 which is the terminal year of the sixth five year plan.

In terms of value added during the period (1950-51 to 1965-66), it is seen that substantial rises took place in the spheres of electrical engineering, electronics and machineries; while transport equipment registered the second highest growth (Appendix 1-9).

The pattern of industrial growth in India is well in conformity with the broad trend in other industrialising countries; the relative importance of textiles and food processing has declined and importance of metal products industries as well as chemical industries has a tendency to rise sharply while the engineering industries constitute the most dynamic sector in industrial growth. When international trade has also shifted in favour of the growth sectors of engineering and chemicals, as evidenced by authoritative studies, India can export such non-traditional items as chemicals, machineries and transport equipment which will be more and more needed as.

41. During 1899-1929, machinery, transport equipment and chemicals accounted for 45 per cent of the total increase in the volume of world trade in manufactures and for over 70% of the total increases during 1929-59. Textiles and clothing had contributed 10% during 1899-1929, but in 1959 the index of textiles fell to 94 (and that of fabrics to 84) with reference to 1929. Maizels, Alfred: op.cit.p.165.

42. Such authoritative studies include, Yates, P.L. op.cit; Spielgelglas, S; World exports of manufactures, 1956 Vs 1937, Manchester (1959), and Svennilson, Ingvar: Growth and stagnation in the European economy, 1954, Geneva.
industrialisation makes headway and as the economic system expands.

SOUTH EAST ASIA IN INDIA'S FOREIGN TRADE:

While South East Asia should be viewed as a partner in India's external trade, the trade volume between India and South East Asia has not reflected the emerging scope for complementarity. During the period 1962-64, according to an estimate, India's trade with South East Asian countries formed only 9.2% of India's total exports and 4.0% of India's total imports.

43. Maizels, Alfred J. op. cit, p.181
India's total exports of chemicals including glass and glassware, rubber products, etc. rose from Rs.27 million in 1958-59 to Rs.36 million in 1960-61 and Rs.45 million in 1962-63. Exports of organic and inorganic chemicals rose from 8.5 to 13.4 million rupees between 1960-61 and 1962-63. Exports of drugs and pharmaceuticals rose from Rs.9.1 million in 1959-60 to Rs.10.7 million in 1962-63. Exports of rubber products including rubber hoses, rubber sheets, tyres and tubes and footwear, etc. rose from Rs.8.3 million in 1959-60 to Rs.12.1 million in 1962-63.


As regards India's exports of engineering goods, the growth of such items in India's export trade can be seen from Appendix 1-10.


India's limited trade with the region should however, be viewed against the latter's age-old trade ties with erstwhile colonial powers and also in the light of the periodical allocations of imports based on expectations of aid. When international trade for the region is influenced by considerations of aid in the form of long-term loans, suppliers' credit, technical know-how facilities and project collaborations involving technical and financial participation than only by considerations of comparative cost advantages and specialisation, India with her earlier start in industrialisation and also placed in a close geographical proximity, may export technical expertise, start joint venture schemes and extend export credit.

The countries in the region, as they industrialise, will require more imports of intermediate and capital items such as machineries, machine tools and other manufactures, vide Statistical Tables II-13 to II-24, and India's long-term strategy must be geared to the pattern of such demand in these countries. This fits well with developments in India's export sector, i.e., the stagnation in India's traditional exports and the subsequent necessity for the lag to be made up in other directions.

46. ESRF: Perspectives of India's trade with developing countries, 1966, New Delhi.p.11.
When India, however, chooses the lines of suitable export specialisation with regard to South East Asia, import substitution forces which have been in operation in the region must be taken into full consideration.

The resort to planned or directed industrialisation by the countries in the region with a subsequent rise in per capita incomes would, no doubt, offer a big scope for intra-trade. However, penetration into South East Asian markets will involve cut-throat competition. Besides the everlengthening shadow of mainland China, Industrial Japan would be hard to compete with and it is feared that Japan would dominate in any potential scheme of a pan-Asian model.

47. As examples, imports by Burma from India of aluminium buckets and utensils, etc have been gradually replaced by local products. Thailand which was once a customer of India's jute manufactures is a competitor today, (Agenda papers of the 4th meeting of the Board of Trade in New Delhi on 15-12-69)

Appendix 1-11 gives a presentation of imports substitution in Thailand's selected products, and import substitution is most vigorous in items like electric appliances, motor cars and tractor assembling, flour production, dry cell batteries, zippers, vacuum flasks, tin and gasoline drums, etc.

48. The possibility of Communist China pushing its exports into South East Asian markets in order to secure the vital raw materials from the region was visualised by the Board of Trade in its 4th meeting on 15-12-1969, in New Delhi.

49. Ghate, B.G: A study of the trade of the Asian countries with each other and the rest of the world, ICWA, 1948, New Delhi, P.156.
While, however, conceding the competitive position of these two countries and many more including the Soviet Union, India must play a positive role in the economic destiny of the region with sympathy and understanding. It is also reasonably expected that India will make every effort to advance capital and spare consumer goods for South East Asia's rice, tin and petroleum.

**CONCLUSIONS:**

It is observed that age-long political indifference between India and the countries of South East Asia minimised India's intra-trade with the region even in the post-independence era. The close political and economic association of the countries in this region with western nations is cited as a responsible factor. The existence of similarities in patterns of production is another factor causing minimal intra-trade. In this connection, mention is made of the role of the primary sector in each of the South East Asian economies.

50. Bois, Du: Social forces in South East Asia, Harvard University Press, 1959, p.68
Since trade is minimal, some policy measures for strengthening trade-ties must obviously be undertaken and it becomes relevant to examine the basic economic features of South East Asia. It is seen that South East Asia cannot economically and politically be a compact region. Each country is having an individuality, having its own distinctive features. Such differences actually sharpen basic economic and political conflicts, and will thereby render the task of economic co-operation difficult. There are, however, identical features in the region in the shape of common economic problems which warrant intensive efforts for closer economic relations. These common problems include such as falling or fluctuating exports, increasing replacement of local products by synthetics or otherwise and finally the growth of tariff and non-tariff barriers in advanced countries with which South East Asian countries have had long economic association. A concomitant feature is the development of the trade gaps, necessitating large inflows of foreign capital or reduction of foreign assets. Under the circumstances, intra-trade among these countries may profitably be increased and facilities for increased intra-trade have been increased by intensive industrialisation.
Since India's traditional export sector is observed to be stagnant, a new export dynamism needs to be sought in terms of the non-traditional sector. India's industrial growth is emphasised, particularly the growth of chemicals, metallic and engineering products. It may be concluded that India could possibly export more of these items to developing countries in South East Asia. It is, at the same time, concluded that South East Asia would not be an easy export market for India with the shadows of the developed countries falling upon South East Asia, and also with the active import-substitution process that is in full operation in the region.

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