

TOWARD A NEW REGIONAL ECONOMIC ORDER IN ASIA AND THE PACIFIC

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Whenever the New International Economic Order (NIEO) is mentioned, the impression is gained that it is already here. It is not. It is an objective, an ideal, a frame of reference for the future. There is, however, evidence that in Asia and the Pacific a new regional economic order (NREO) is taking shape, based on a mixture of South-South and North-South cooperation.

The Asia and Pacific new regional economic order was not mandated by a sweeping multilateral treaty nor by an overall summit of the region's leaders. In fact, the national leaders have never met together as a group. The new order has grown by pieces and at different times. The stalemate in North-South global negotiations has not inhibited the development of regional economic orders such as the one that is emerging in Asia and the Pacific. Indeed, a stalled NIEO may have even contributed towards its growth.

The linchpin of the new economic order is regional cooperation, which needs to depend on fixed schedules and rigid targets such as those that are enshrined in economic integration and common market treaties. Regional cooperation can occur at its own pace even in the presence of unequal development among the members.

The Asian and Pacific NREO has three main constituent parts: an emergent subregionalism; growing transactions in trade and other types of economic cooperation, as well as in the regional exchange of skills and technology; and the rise in the number and activities of regional intercountry organizations. Taken together, these three elements provide supporting evidence for a new regionalism that is extant today in Asia and the Pacific.

The Emergent Subregionalism

In the Association of Southeast Asian Nations (ASEAN), the

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members (Indonesia, Malaysia, Philippines, Singapore and Thailand) agreed to give each other priority of supply in basic commodities, such as rice and oil. This has alleviated the concern about food and energy. ASEAN adopted a program of trade expansion through preferential tariff arrangements (PTA). Large regional industries were tapped to meet common essential requirements in fertilizers, soda ash and copper products. The private sector was encouraged by the Governments to draw up, and enter into, industrial complementation arrangements.

The *leitmotif* of ASEAN cooperation was its outward-looking strategy. Thus, instead of establishing a regional development bank, ASEAN countries agreed to form a Finance Corporation to provide venture capital, management and technical advice for promising business projects in the region. Instead of going for a payments union, ASEAN instituted a monetary swap arrangement among its central banks. The ASEAN PTA was widened and made deeper, instead of opting for a customs union and a common external tariff which would have made ASEAN "extremely inward-looking, with strong trade-diverting effects." A prominent Western economist said that ASEAN, to her knowledge, was "the only regional arrangement that is not based implicitly or explicitly upon an import substitution (IS) strategy" and that in deciding to carry out an export promotion (EP) strategy, ASEAN's path was more conducive to employment growth and to an equitable income distribution.

Though intraregional trade in ASEAN has not gone beyond the 20 percent mark, it is not insignificant in terms of volume. During 1976, the year before preferential trading became operational, intra-ASEAN trade was already at a level of \$8,200 million, exceeding the trade volume of \$4,693 million in the Latin American Free Trade Association (LAFTA). ASEAN trading should increase as its preferential trading arrangements range wider and deeper, and as industrial complementation schemes, the large regional industries and other joint ventures come into operation.

The largest, most visible dividend offered by regional cooperation in ASEAN is the opportunity for the member-countries to take a joint stand in the conduct of their external economic relations. In ASEAN's dialogues with Japan, the EEC, Australia and the United States, trade concessions and aid arrangements for the countries as a group have been obtained.

Similarly, the Pacific Forum developing countries (Fiji, Cook

Islands, Kiribati, Nauru, Niue, Papua New Guinea, Samoa, the Solomons, Tonga, Tuvalu and Vanuatu) have been able to jointly negotiate and obtain trade and soft loan arrangements from the EEC through their membership in the African, Caribbean and Pacific group (ACP) under the terms of the Lome Conventions I and II. The island countries were able to conclude a trade and economic cooperation agreement in 1981 with Australia and New Zealand, which are their partners in the Pacific Forum.

Differences in GNP per capita among the island countries are less pronounced than in ASEAN, making trade cooperation more likely. The intraregional trade of the island developing countries more than doubled between 1975 and 1979.

The Pacific Forum developing countries have joined hands to protect their interests in their exclusive economic zones (EEZ) and to resist nuclear testing and the dumping of nuclear waste in their oceans. They have established a University of the South Pacific, their own regional telecommunications network, a regional shipping line, and a regional fisheries agency.

Regional cooperation has flourished in the Pacific longer than in most parts of the world. The South Pacific Commission was created in 1947, antedating the establishment of the European Common Market and that of the first regional integration grouping in the third world: Central America.

In South Asia, subregionalism was hitherto considered infeasible because of the traditional Indo-Pakistan rivalry. Nevertheless, the countries of the subcontinent have joined together in specific programs such as those of the Asian Clearing Union and the South Asia Cooperative Environment Programme (SACEP).

After five meetings of South Asia's Foreign Secretaries, the most recent being the one at New Delhi on 28-29 July 1983 followed by a meeting of the Foreign Ministers on 1-2 August, it now looks as if the seven countries (Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka) have agreed on an integrated program of regional cooperation in such areas as rural development, agriculture, telecommunications, meteorology, health and population. In addition, the possibility of cooperation in science and technology, transport and postal services has been studied.

The new grouping will offer new and interesting opportunities for intercountry cooperation.

A joint stand on foreign economic relations will strengthen the members' bargaining power vis-à-vis the North and with other devel-

oping country groupings as well, such as ASEAN and West Asia. The new grouping would give a stronger voice at international fora to the aspirations of its LDC members, namely Bangladesh, Bhutan, Nepal, and the Maldives. Trade expansion among the countries could be promoted. The new grouping could enhance prospects for joint undertaking in the utilization of natural resources and for economic cooperation among the countries' state trading organizations, through which a very major part of their export-import trade is conducted.

The collective bargaining power exerted by the ASEAN and Pacific Forum groupings in their external economic relations finds a strong counterpart in the grouping of least developed countries (LDCs). The joint stand of the LDCs in the region is, in fact, the lone uniting factor in their cooperation. The group is comprised of Afghanistan, Bangladesh, Bhutan, Nepal, the Lao PDR and the Maldives in Asia, and Samoa in the Pacific.

The group is not geographically contiguous. It is a mix of continental and island countries. Four of them — Afghanistan, Bhutan, Nepal and the Lao PDR — are landlocked. The Maldives and Samoa are seelocked.

In the past, although there were numerous international resolutions inviting special considerations to meet LDC needs there has been a lack of focus in the organization of external aid.

However, at the UN Conference on the LDCs held in Paris in September 1981, a Substantial New Programme of Action (SNPA) was adopted, to be based on a doubling of official developing assistance by 1983. The SNPA is to be reviewed periodically by the LDCs in conjunction with their trade and aid partners, at meetings of the consortium type sponsored by the World Bank or, in their absence, at round table meetings organized by the UN Development Programme (UNDP) on their behalf and at their request. With UNDP support, the first Asian and Pacific Round Table was held in May 1983 to carry out country aid reviews for Afghanistan, Bhutan, the Maldives, the Lao PDR and Samoa. Though Bangladesh and Nepal have consortium meetings arrangements with the World Bank and other aid donors, they attended the general sessions of the round table.

The cooperation among LDCs is not institutionalized. Unlike ASEAN or the Pacific Forum, the LDCs have neither a cooperation agreement nor a central secretariat. And while the link of common

external interest is strong, it is only sporadically manifested. This introduces a certain fragility in the relationship. However, there is no prospective program toward higher forms of cooperation, which normally tends to increase the costs — and risks — of regional cooperation and, in some cases, to threaten a group's cohesiveness.

The LDC configuration is therefore likely to exist for a long time, i.e., as long as the requirements of the LDCs are not substantially met. So far, the only external assistance provided to the Asian and Pacific LDCs *as a group* has come from the UNDP, acting mainly through the UN Conference on Trade and Development (UNCTAD) and the UN Economic and Social Commission for Asia and the Pacific (ESCAP).

Trade and Other Economic Cooperation Arrangements

Today, developing Asia is part of the South which is seeking more access to the markets of the North and trying to expand trade among themselves and with other regions of the South.

Between 1970 and 1977, the intradeveloping market economy trade in Asia increased four times and trade with other developing regions expanded seven times. In order of importance these regions were West Asia, Africa and Latin America.

UN statistics show that 11 Asian and Pacific developing countries had another regional developing country within the first five of their major import partners during 1979. Six Asian and Pacific countries were major export partners of at least two other Asian or Pacific developing countries.

The exports of the developing Asian market economies to one another stood at \$23,336 million in 1979.

According to the *Far Eastern Economic Review*, Asia has the largest intraregional trade among the developing regions and has consistently registered the highest level of trade in manufactures.

South-South trade in manufactures is being reinforced by evidence that comparative advantage is shifting in the region's favor. The Malaysians, for example, found that it would cost them 7 percent less to manufacture printing paper for the ASEAN market, in comparison with world prices. Electrical transformers would cost 25 percent less than imports if Malaysia produced them for the entire ASEAN region. In the Philippines, an analysis of unit import values at the 7-digit SITC classification led to the surprising conclusion that close to one-half of the 352 items imported from ASEAN countries

in 1975 had comparable or lower prices among ASEAN suppliers. A regional energy survey recently conducted by the Asian Development Bank observed that equipment for alcohol industries using biomass material or for micro-hydropower plants would cost about one-half if produced in the region, as compared to importing the equipment from Western suppliers.

There is a "technology gap trade" (studied by Raymond Vernon of Harvard) whereby India, Hong Kong, Singapore and a few other countries are increasing the export of goods whose manufacture is technologically demanding. As these countries climb the ladder of technology, they export already adapted technology to other developing countries via their multinationals. This is a relatively new and growing phenomenon in the region.

Louis T. Wells Jr. of Harvard has identified 666 foreign manufacturing projects in Asia originating from Asian firms. In Southeast Asia alone, he estimates that there are 494 projects as compared to 157 in Latin America. These third world multinationals usually employ scaled-down technology which is more suitable to Asian conditions. They are likely to be labor-intensive (thus promoting local employment) and use locally available materials, thereby avoiding the need for foreign exchange in importing raw materials.

More than 80 industrial joint ventures between India and other South Asian countries have been identified. China and Hong Kong have entered into joint manufacturing ventures. The ASEAN countries have agreed on a list of industrial products for joint ventures; these include kiln, furniture, fluorocarbon, temperature control, textile machinery spare parts, magnesium clinker, mini-tractor, and security paper industries.

In the field of finance, the Asian Clearing Union established under the ESCAP's auspices promotes the use of participants' currencies in current international transactions. The members are mostly South Asian countries. The transactions in Asian Monetary Units (AMUs) grew from 22,275,000 in 1976 to 109,900,000 by 1978, and are estimated to reach 280,000,000 this year (1983).

Another instrument for regional financial cooperation is the Asian Reinsurance Corporation which was also prepared and launched under ESCAP's patronage. The members of the corporation are Afghanistan, Bangladesh, China, the Philippines, the Republic of Korea, Sri Lanka, and Thailand. Insurance and reinsurance institutions in the member countries are directed under the

agreement to cede to the corporation 5 percent of all their outward reinsurance treaties or \$500,000 of acceptable reinsurance premiums, whichever is less. With this mechanism, it is estimated that about \$200 million a year in foreign exchange will be saved by the member countries.

With respect to regional cooperation in food, ASEAN has set up an emergency rice reserve of 50,000 tons. A similar arrangement for the wider region is under discussion at ESCAP and FAO.

In the field of energy, there is bilateral cooperation between Thailand and Malaysia on the linking of power grids, between Thailand and the Lao PDR on the export of power, and between Nepal and India on an export-oriented hydropower scheme. China and the Philippines have been cooperating on mini-hydro development for the latter. The ASEAN countries are undertaking cooperation in coal, geothermal, and hydro energy. On a regionwide basis, an Asian Regional Energy Programme and a Pacific Energy Programme are being assisted by UNDP through ESCAP as the Executing Agency. For offshore oil prospecting and surveys, the East Asia program has been in existence since the early 1970's and the South Pacific program since the second half of the decade. The two programs are being joined by a third one for the Indian Ocean. In all three programs, the UNDP and bilateral donors have been — or will be — providing assistance for intercountry cooperation.

The Asian Highway, the Trans-Asian Railway Network and the Pacific Forum Line are significant endeavors of intercountry cooperation in the area of transport.

In telecommunications, the regional submarine cable system in ASEAN, the Asian Telecommunications Network and the Pacific Telecommunications Network represent the types of cooperation being carried out by developing countries of the region.

Tourism is growing significantly among neighboring countries, particularly among Malaysia, Singapore and Indonesia; between India and Bangladesh, Nepal and Sri Lanka; and between the Philippines and Hong Kong. Cross-visiting between South and South-east Asia has been taking place mainly between India and the ASEAN countries. In 1978, a total of 58,000 ASEAN nationals came to India. In turn, about 85,000 Indian citizens visited Singapore, Thailand and the Philippines. And China has become an increasingly popular destination for Asian travelers.

Regional exchange of skills otherwise known as Technical Cooperation among Developing Countries (TCDC) is becoming an ac-

cepted norm of intercountry cooperation in both Asia and the Pacific. The skills transfer is being financed by the developing countries themselves, by the UN development system and by some industrialized countries under their bilateral programs. Seven developing countries — China, India, the Republic of Korea, Indonesia, Malaysia, Thailand and the Philippines — have national TCDC budgets to assist other developing countries in the region or elsewhere.

Wide technology exchange on a government-to-government basis is being fostered by the willingness of the more technologically advanced developing countries such as China, India, the Republic of Korea and Pakistan to share their knowledge and expertise with other developing countries of the region. It is also being stimulated by regional projects and networks of cooperation assisted by the UN development system such as the Agricultural Machinery, Aquaculture and Regional Energy Programmes. Technology transfer in the private sector of multinationals of Asian provenance and joint ventures among pairs of countries are going on. This exchange is making possible the propagation of technologies that are usually more appropriate and less costly for the receiving countries.

The overall pattern is one of growing transactions. There is more government-to-government, business-to-business, technician-to-technician and people-to-people contact in the region today than at any time before.

Rise in the Number and Activities of Inter-Country Organizations

The presence of transnational organizations in the region, whether undertaken by the governments, by the UN development system or by the private nongovernmental sector has served to "regionalize" the approaches and actions toward global issues of food, energy, trade, industrialization, protection of ocean space and the environment. Through these organizations, the dimensions of such global issues can be broken down into more manageable proportions and could thus be tackled more easily.

The most compelling justification for regional cooperation is to be found in those activities that are essentially intercountry in nature: trade, meteorology, civil aviation, offshore geology, telecommunications, fisheries, shipping, control of communicable diseases, and joint river basin development. These activities span national frontiers, and many of the regional organizations are involved in them.

The rise in the number of intercountry activities has been concomitant with the growth of transnational organizations in the region. Except for short-term activities, decisions to operate in important areas of development and cooperation have invariably led to the establishment of organizational frameworks, i.e. — the creation of ASEAN, the Pacific Forum and the South Asia groupings. The reverse is even more significant: the creation of organizations has resulted in the spawning of programs with multi-action effect.

The growth of transnational organizations in the region as traced in an ESCAP publication started during the 1950's when there were eleven of them. This was followed by another dozen or so during the first half of the 1960's and by another 32 organizations in the second half. In the first half of the 1970's another 40 organizations were formed and in the second half, many more. The total is now estimated at over 200, excluding those formed by voluntary agencies.

The growth has been such that the Pacific Forum island developing countries, for example, have become extremely reluctant to create new organizations. For the smaller Pacific countries, scarce financial resources are needed much more at home rather than being spent in transnational organizations. If the choice for them is between participating in regionalism and joining global organizations, the former is preferred. Tonga, Kiribati and Tuvalu are not UN members but Tonga is a member of ESCAP while Kiribati and Tuvalu are associate members.

The significant characteristic of transnational organizations in the region is that the cost of operating them is either "low" or "exploitable." The ASEAN central secretariat has only 18 full-time professional staff members. The ASEAN Committees are serviced by the host governments' regular staff. The costs of the South Pacific Bureau of Economic Cooperation (SPEC) are borne one-third by Australia, one-third by New Zealand, and one-third is shared by the island developing country members. The new South Asia grouping will be initiating cooperative activities in areas that will involve little or no financing. In some regional organizations such as the Coordinating Committees for Offshore Prospecting in East Asia and in the Pacific, the Mekong Committee, the Management Board of the Asian and Pacific Developing Centre (APDC), the Typhoon Committee and the Tropical Cyclone Panel, the secretariat functions are performed by regular staff or project personnel financed by the UN development system.

There are regional organizations whose activities are funded mainly by the participating developing countries: The Southeast Asia Ministers of Education Organization and its six regional training institutes, the Asian and Pacific Coconut Community, the Association of Natural Rubber Producing Countries, and the Asian Re-insurance Corporation. The Institute for Southeast Asian Studies, the Asian Management Institute and the East-West Centre are mainly nationally-funded but have substantial regional outreach functions. The Pacific Basin Economic Council (PBEC) and the Pacific Area Travel Association (PATA) are private sector funded and nonprofit. At the same time, they exercise significant regional cooperation roles.

The comprehensive growth of very active transnational organizations in the region has resulted in a prime need for coordination. Coordination at the national level is difficult enough, and at the regional level, it becomes much more complex given the scope and nature of the various transnational organizations operating at regional, sub-regional, sectoral, subsectoral and program levels.

The nature and variety of regional cooperation activities have grown to such a point that coordination which has been described by a prominent Western economist as "an escape and a substitute for action" is no longer a luxury. It has become a necessity.

Coordinated approaches to trade expansion on a regionwise basis are being undertaken by developing countries of the region within the framework of the Trade Negotiations Group (TNG) which consists of the five members of the Bangkok Agreement (India, Bangladesh, the Republic of Korea, Sri Lanka and the Lao PDR) plus Hong Kong, Iran, and the Philippines. The TNG meetings are attended by Pakistan, Singapore and Thailand in an observer capacity. The TNG is dedicated to the improvement of state trading, examination of multinational marketing enterprises and cooperation in import procurement.

The Trade Cooperation Group (TCG), on the other hand, is composed of developed and developing countries of the Region belonging to a wide spectrum of ESCAP's membership. It is of more recent origin than TNG, and it aims to promote the improvement of trade information, the creation of trade-creating joint ventures, the conclusion of long-term contracts, the activities of the commodity communities, and the growth of monetary and credit cooperation. TCG was established on the basis that, while trade and economic cooperation among the developing countries was beneficial, their interests could

also be advanced through a program in which the developed countries could actively participate. It was therefore devised as a program of wider regional cooperation.

Time will tell which of the two groups — TNG or TCG — is the “slow train” or the “fast train.” For the present time, it is advantageous to the region that the trade expansion movement is being carried forward by two trains rather than one.

The Secretary-General of the Commonwealth, Sridath Ramphal, has urged the necessity of more organization among the developing countries “to hold them together, to co-ordinate their interests in negotiation with the North, and to work out concrete steps for tackling the still untrodden paths of collective self-reliance.”

The rise in the number and activities of transnational organizations in Asia and the Pacific attests to the validity of Ramphal’s concept, but it is more than mere growth: it is an explosion. With each new regional organization and with every additional intercountry activity, whether governmental or nongovernmental, regionalism is taking firmer hold in Asia and the Pacific.

Conclusions: Future Choices

A recent book on “The Future of International Organizations” enumerates six “head organizations,” as follows:

- Organization of American States
- League of Arab States
- Organization of African Unity
- European Community
- Council for Mutual Economic Assistance
- Organization of the Islamic Conference

Asia and the Pacific, a region populated by more than one-half of humanity, is absent from the list. This does not mean, however, that the regional cooperation taking place in the area is the weakest of all. Based on the available evidence, it may in fact be one of the strongest in the third world.

With the lessening of intercountry political tensions in Asia, there is hope that enlarged regional cooperation in “low politics” involving economic, social and other developmental issues may influence the cooperation in matters of “high politics” of status, diplomacy and security.

Indeed, there are some issue areas in the realm of "low politics" that are, by themselves, acquiring political salience. Energy has become a very serious problem. Trade and protectionism have become politically salient at international meetings. The protection and appropriate use of ocean space have a high political visibility in coastal and island countries.

The regional cooperation taking place could become even more productive through wider partnerships of the subregional groupings, i.e., ASEAN and South Asia, and these with other regions of the third world, notably West Asia, Africa and Latin America. Growth of the region's trade with these other developing areas has been noteworthy in the past; it could be expanded even more.

To the regional and interregional trade in commodities and manufactures could be added a very important new dimension: that of trade in nonfactor services comprising construction, shipping, travel, consultancy services, advertising and insurance, which are now largely in the hands of the industrialized countries. Bilateral and regional arrangements among the region's developing countries could be fostered through their Chambers of Commerce and state trading organizations.

Besides the coming together of the subregional groups, there may be benefit in another more direct route that would not compromise the national interests or commitments of the subregional groups: the creation of an Asian and Pacific Forum as proposed by President Ferdinand Marcos of the Philippines, or the establishment of an Asian and Pacific Economic System similar to the Latin American model whereby cooperative enterprises are planned and carried out by interested countries through Action Committees that are phased out when their work is done. These would have to be non-political entities.

A wider grouping would bring together the South Asian Seven and the ASEAN Five (soon to become the Six with the imminent independence of Brunei and its eligibility to join the group), as well as Asian countries presently outside the subregional groups, of which the largest and most important is China. A wider grouping would also bring Asia and the Pacific in closer and more direct relationship. At the present time, while there are Asia-Pacific cooperative programs, the two large developing regions consider themselves to be separate from each other, with distinct and clear identities. Their requirements and needs are also different from each other.

A wider grouping would enable the region's national leaders to have a forum of their own for exchange of ideas and approval of regional policy initiatives toward development. Regional programs of cooperation could receive the backing of political will expressed at the highest levels. The lack of such will has proven to be a very important factor in the success, or nonsuccess, of some significant regional cooperation endeavors.

Trade with China and with West Asia could be expanded. Countries could enter into arrangements for joint manufacture of agricultural machinery or energy equipment, thus saving on foreign exchange. Countries with know-how in the production and processing of agricultural products could team up with others possessing knowledge and experience in packaging, merchandising and advertising. Policy support could be provided to long-term contracting and priority of tender of the type entered into bilaterally between India and Sri Lanka's state trading organizations. A regional export credit or guarantee scheme could be initiated. Joint utilization of natural resources could be fostered, and cooperative import procurement for countries with similar import programs could be instituted. Combinations of Asian countries in technology, finance and skilled manpower could augment their capacity to bid — and win — major construction contracts in West Asia.

The World Bank's preliminary estimates for 1981 show South Asia and East Asia/Pacific as having real GNP growth rates of 5.9 percent and 5.5 percent respectively, outperforming Southern Europe/Mediterranean with 2.4 percent, Africa south of the Sahara with 2.2 percent, North Africa and the Middle East with 0.6 percent and Latin America/Caribbean with -0.4 percent. Real GNP per capita growths for South Asia and East Asia/Pacific were estimated by the World Bank in 1981 at 3.5 percent and 3.9 percent respectively, compared with 0.9 percent for Southern Europe/Mediterranean 0.7 percent for Africa south of the Sahara, -2.3 percent for North Africa and Middle East, and -2.7 percent for Latin America/Caribbean.

Although the regional figures mask a wide degree of economic performance among countries, with some growing faster than others, it is a paradox that the region's economies are performing well as a group, in the midst of little or negative growth in other areas of the world, developing or developed.

These growth rates were achieved despite the current hard times,

meaning that the developing countries of the region have a larger capacity for self-reliant growth than is generally perceived.

If the two engines — national growth and regionalism — are harnessed productively and effectively, lasting benefits to the region's developing countries and their people could be ensured.