

Foreword

After adopting rigid import substitution policies for four decades, beginning in the 1980s and the 1990s the South Asian countries started to opt for greater economic openness and began the long process of aligning their economies with those of the rest of the world. This important book, authored by two acknowledged experts on Asia with many years of experience working at the Asian Development Bank (ADB), is devoted to analyzing the recent economic dynamism of South Asia and the challenges that the region faces in a globalizing world.

The book examines the South Asian experience of globalization through several different lenses. The book compares South Asia's globalization efforts with those of East Asia and the rest of the world, giving the reader a broad overview of globalization progress, impact, and potential in South Asia. This comparison demonstrates how, despite recent successes, India and the rest of South Asia are lagging behind the People's Republic of China (PRC) in various areas.

The book then presents a penetrating comparative analysis of economic performance and policy reforms in the PRC and South Asia. The major premise is that policy does matter. Good policies can help lift income growth rates and lower poverty, while poor policies retard growth and stall poverty reduction. Both the PRC and South Asia have been growing rapidly in the past few years, faster than most other developing countries in Asia and the rest of the developing world, raising living standards for more than two billion people. This is a major accomplishment and to be applauded and it owes much of its success to policy reforms.

The book moves on to examine the evolving trade relationship between South Asia and East Asia, including the trade relationship

between the PRC and India. This relationship has important implications for other countries in the region and the global economy.

The final chapter of the book turns to a discussion of mechanisms and modalities for increasing intra-regional trade and fostering regional cooperation in South Asia. Among these are developing cross-border infrastructure, fostering international trade and investment, and increasing regional financial sector cooperation.

Among the important questions answered in the book are:

- How globalized is South Asia? Has global integration been beneficial?
- Economic reforms in South Asia have borne fruit. What does each country still have to do?
- The PRC began the reform process with a lower per capita GDP than South Asia, but by 2005 its per capita income was more than twice that of South Asia. Why?
- India has the potential to grow as fast as the PRC over the next two decades. What policy actions are needed to realize this potential?
- After falling dramatically after 1947, trade integration among the South Asian countries is now starting to increase. Can South Asia be as well integrated in the future as it was before 1947?
- South Asia's economic relations with East Asia are starting to surge. Could this eventually lead to an integrated Pan-Asia, similar to what has been achieved in Europe?

This book is timely and helps enhance the understanding of recent South Asian economic development and how the surge in South Asia's trade and investment relations with East Asia could pave the way for an integrated Asia. The book will be of value to a wide spectrum of readers — academics, policy makers, development institutions, students of economics, and the general public.

Professor Lim Chong Yah
Albert Winsemius Chair Professor of Economics
Director of Economic Growth Centre
Nanyang Technological University
Singapore
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