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## Chapter 2: Member Countries of the Asian Economy

### 1. The Twenty-Two Member Countries (AE-22)

The introduction of the twenty-two member countries of the 4+10+2+6 model of the Asian Economy is the immediate task. Japan, Korea, China, India, Indonesia, the Philippines, Brunei Darussalam, Malaysia, Singapore, Thailand, Vietnam, Cambodia, Laos and Myanmar constitute the now-famous 4+10 model. Following the principle of inclusion, Mongolia, Chinese Taipei, Bangladesh, Bhutan, Nepal, Pakistan, the Maldives and Sri Lanka, as they belong to the regional map of the continent of Asia, are the eight remaining member countries (see Chapter 1). An overview of Asia's twenty-two member continental economy the AE-22, with its 3.6 billion people (2006) who have made the region of Asia their home in a land area of 20.5 million sq. km. should be welcome. To put these figures in perspective, the AE-22 comprises only 13.7 percent of the world's land area, but is home to over half the world's population. Tables 2.1 – 2.4, presented below, illustrate the various figures relating to population, land area, GDP and GDP per capita of the member nations of the AE-22.

Bhutan, in the Northeast border of India, with 47,000 sq. km. in land area and a GDP of USD 800 million (2006), negligible percentages of the world total in both cases, is a nation where the Monarch of its 2.3 million people has invited the rest of the world to come to visit his beautiful kingdom and take account of its gross domestic happiness rather than the gross domestic output of its goods and services. Brunei, in Southeast Asia, is another small economy with a little more than 5,000 sq. km in land area, but earns huge export revenues on its enormous endowment of petroleum reserves, commanding a GDP of USD 9.5 billion (2006). Petroleum exports allow the Sultan and his four-tenths of a million people to enjoy such affluence that the authorities have voiced their concern that if and when the economy industrializes, commercial vices will bring corruption and compromise the high religious commitment of the people of the land. Mongolia, a small landlocked economy between Russia and China has 1.1 percent of the world's land area, but its enormous reserves of highly demanded industrial minerals have drawn the attention of global investors, assuring a high rate of economic growth for its 3 million people (2006). Nepal, the landlocked Himalayan kingdom, but 0.1 percent of the world's land area, is resource-scarce and poor, contributing to outbursts of discontent of the 28.9 million Nepalese people (2006). Korea, under the US defense umbrella, has scored economic growth, becoming only the second Asian member of the OECD group of rich countries. One must, however, take note of the fact that Pakistan, under the US defense umbrella since its foundation in 1947, has failed to correspondingly compete in terms of industrialization and economic prosperity.

Malaysia, liberated from British imperialism, has demonstrated its economic scores with a notable increase in the per capita income of its people, USD 4,437 (2005), following Singapore in Southeast Asia. Indeed, it ranks 5<sup>th</sup> in a measure of all Asia, behind Japan, Singapore, Chinese Taipei and Korea. Vietnam, emerging from French imperialism and a destructive war it fought against the USA, has implemented an economic policy toward a robust growth path, containing the three-digit inflation rates of

years past. Beginning as the financial center of the British imperial regime in Asia and South Pacific, Singapore is a very special economy with its vast service sector. Under its stable political leadership, Singapore has successfully maintained a dominant position with per capita GDP of USD 25,845 (2005) for its 4.6 million people (2006) in an area of just 700 sq. km.

Thailand, a pluralistic democracy, presided over by the Head of the State, a constitutional Monarch, His Majesty, the King of Siam, has become a part of Asia's economic success story in Southeast Asia with its involved economic engagements with the major Asian countries from Japan to India. Indonesia and the Philippines have different stories to tell. Dutch imperialism in Indonesia and American hegemony in the Philippines came to an end, but each had its own economic struggles. Historians will write about quantitative measures of the possible adverse economic impact of the authoritarian rules of President Suharto in Indonesia and that of President Marcos in the Philippines. Natural calamities inclusive of the 2004 Tsunami have recently impacted Indonesia.

Military regimes in one or another form in several of the countries in the region, including Myanmar, Pakistan and recently Bangladesh, all have their own independent defense priorities, which compromised the market-oriented rational allocation of the limited resources available, and hence the optimum growth profiles of their respective economies. Sustained civil unrest, as in Sri Lanka, must have been a challenge for economic growth of the country.

Let us return to the two most populous economies of Asia, indeed of the world, China and India, and their hugely contrasting land-people ratios. China with a population base of 1.32 billion (2006) has the land area of 9.56 million sq. km., while India has a population base of 1.13 billion (2006) and a land area of 3.28 million sq. km. China has 20 percent of the world population with 6.4 percent of the world's land area. India's shares are 17.1 percent and 2.2 percent, respectively.

It is instructive to review the variations of GDP of the twenty-two member countries. In 2006, Japan is at the top with a total of USD 2,512.0 billion, 10.5 percent of the world total. China, Korea and India follow. Chinese Taipei comes next, followed by Indonesia. Based on per capita income (2005), Japan, with USD 39,075, outranks all others in Asia. Singapore follows with a figure of USD 25,845. Chinese Taipei (USD 15,291), Korea (USD 13,210) and Malaysia (USD 4,437) come next and in that order.

For comparable data, Tables 2.1-2.4 should be reviewed with care. Indeed, they will be referred to in the follow-up discussions of the AE-22 member economies in the rest of the chapter.

Table 2.1: Population of AE-22 Economies, 2007

	Millions	(%) of World
China	1,321.9	20.0
Japan	127.4	1.9
Korea	49.0	0.7
India	1,129.9	17.1
Myanmar	47.4	0.7
Laos	6.5	0.1
Cambodia	14.0	0.2
Vietnam	85.3	1.3
Brunei	0.4	0.0
Singapore	4.6	0.1
Malaysia	24.8	0.4
Thailand	65.1	1.0
Philippines	91.1	1.4
Indonesia	234.7	3.6
Chinese Taipei	22.9	0.3
Mongolia	3.0	0.0
Pakistan	164.7	2.5
Maldives	0.4	0.0
Sri Lanka	20.9	0.3
Bangladesh	150.4	2.3
Bhutan	2.3	0.0
Nepal	28.9	0.4
Total AE-22	3,595.5	54.5
World	6,602.2	

Source: World Factbook, 2007.

Table 2.2: Area of AE-22 Economies, 2006

	Thousands	(%) of World
China	9,561.0	6.4
Japan	378.0	0.3
Korea	99.0	0.1
India	3,287.5	2.2
Myanmar	657.6	0.4
Laos	230.8	0.2
Cambodia	176.5	0.1
Vietnam	310.1	0.2
Brunei	5.3	0.0
Singapore	0.7	0.0
Malaysia	328.6	0.2
Thailand	510.9	0.3
Philippines	298.2	0.2
Indonesia	1,811.6	1.2
Chinese Taipei*	36.0	0.0
Mongolia	1,566.5	1.1
Pakistan	796.1	0.5
Maldives	0.3	0.0
Sri Lanka	65.6	0.0
Bangladesh	144.0	0.1
Bhutan	47.0	0.0
Nepal	147.2	0.1
Total AE-22	20,458.2	13.7
World	148,939.1	

Source: World Development Indicators, 2006

\* Data from World Factbook 2007.

Table 2.3: GDP of AE-22 Economies, 2006

	US\$ Billions	(%) of World
China	2,512.0	5.4
Japan	4,911.0	10.5
Korea	897.4	1.9
India	796.1	1.7
Myanmar	9.6	0.0
Laos	2.8	0.0
Cambodia	6.6	0.0
Vietnam	48.3	0.1
Brunei	9.5	0.0
Singapore	121.5	0.3
Malaysia	131.8	0.3
Thailand	196.6	0.4
Philippines	116.9	0.3
Indonesia	264.4	0.6
Chinese Taipei	353.9	0.8
Mongolia	1.5	0.0
Pakistan	124.0	0.3
Maldives	0.9	0.0
Sri Lanka	27.4	0.1
Bangladesh	69.0	0.1
Bhutan	0.8	0.0
Nepal	7.2	0.0
Total AE-22	10,609.2	22.7
World	46,660.0	

Source: World Factbook, 2007.

Table 2.4: GDP Per Capita of AE-22 Economies, 2005

	Constant 2000 US\$	PPP 2000 \$ *
China	1,449	6,012
Japan	39,075	27,817
Korea	13,210	19,598
India	588	3,072
Myanmar	N.A.	N.A.
Laos	396	1,814
Cambodia	402	2,426
Viet Nam	538	2,732
Brunei	N.A.	N.A.
Singapore	25,845	26,390
Malaysia	4,437	9,681
Thailand	2,441	7,720
Philippines	1,129	4,571
Indonesia	942	3,419
Chinese Taipei	15,291	N.A.
Mongolia	483	1,875
Pakistan	596	2,109
Maldives	2,355	N.A.
Sri Lanka	1,002	4,088
Bangladesh	433	1,827
Bhutan	1,003	N.A.
Nepal	234	1,379
World	5,647	8,477

Source: World Development Indicators, 2006.

Note: Data for Chinese Taipei from Taipei Statistical Yearbook, 2005.

\* PPP Constant 2000 International \$.

## 2. Japan

Reviewing “the unfinished drama of Japan”, Durant writes about its three acts: (a) classical Buddhist Japan (522 CE – 1603 CE), (b) feudal and peaceful Japan (1603 CE – 1868 CE) and (c) modern Japan, with global economic activities, exploring markets to obtain supplies of raw materials and merchandizing its manufactures, and fighting wars of “irrepressible expansion” (Durant 1954, p. 829).

Japan, an archipelago in the North Pacific Ocean, off the Korean Peninsula, has a population of 127.43 million (2007) in a total land area of 377,835 sq. km., and occupies a strategic location in Northeast Asia (Japan Encyclopedia 2002, World Factbook 2007). Japan was the sole mature industrialized country in Asia before the progressive graduation of Korea and Chinese Taipei to the competitive level of industrialization. Prior to the formation of the European Union, Japan was the second largest economy in the world, second only to the USA. As discussed earlier, based on shares of world output and trade, the relative economic positions have recently changed, with the EU coming ahead of the USA and Japan.

During the late 19th and early 20th centuries, Japan was a major military power, successfully winning armed confrontations with Russia and China, eventually occupying Korea, Formosa (now Chinese Taipei), part of Sakhalin Island, and Manchuria. During WWII, Japan occupied much of East and Southeast Asia. Japan’s unprovoked attack on the USA in 1941, and USA’s devastating nuclear response on Hiroshima and Nagasaki in 1945 are on record. WWII ended and Japan surrendered, accepting to come under the defense umbrella of the USA. Japan adopted the new Constitution in 1947, surrendering the doctrine of divine authority of the Emperor. It should be noted that the Emperor continues to command the loyalty of the people of Japan, and the Emperor’s birthday is the national holiday.

Following its defeat in WWII, Japan returned to the world as an economic superpower within a relatively short period of time, becoming a competitive leader in high-tech industries inclusive of automobile, electronic equipment, machine tools, ships and chemicals. Japan’s is a capitalist market economy. The private sector is dominant. The Japanese government and the Bank of Japan share the responsibility of managing the macroeconomic policies with proper monetary and fiscal specifications. A cooperation between the two sectors, government and business, is a primary condition for the success of a capitalist free market economy and Japan has shown its record of achievement. In the years past, Japan’s Keiretsu system uniquely combined the diverse business activities of manufacturers, suppliers and distributors. Much has been written about the progressive modernization of Japan’s industrial structure. For several decades, the rest of the world closely observed Japan’s overall rate of annual economic growth, 10 percent in the 1960s, moderating to 5 percent in the 1970s and 4 percent in the 1980s. Expectedly Japan’s investment, especially in the USA, took a major upturn. However, Japan’s rate of growth in the 1990s slowed down, averaging just 1.7 percent. After a long period of stagflation, Japan has begun to grow again, approaching 3 percent annual growth in 2007.

The fact that Japan is an economic superpower merits a close review. We venture to discuss four specific points. First, given the fact that Japan has a limited land area and limited population base, Japan’s level of industrialization was in turn limited and led Japan to explore overseas markets (a) for labor supply at a relative low wage rate, (b) for

raw materials that Japan had a limited endowment of, and also (c) for creation of markets where its industrial manufactures could be sold. Japan adopted the imperial model, as many European countries did in earlier decades when their respective economies experienced the phases of industrial revolution resulting from the mass production of goods and services. However, the collapse of the imperial models was an economic inevitability and Japan came to adopt the regional economic cooperation. Japan belongs to the map of Asia and has a role to play in Asian economic regionalization (Dutta 1999, 2007).

Secondly, Japan has been a land of earthquakes, volcanoes, tsunamis and typhoons. The people of Japan accepted the challenges of these natural calamities, and built houses earthquake-proof, and constructed bunds to protect the islands which did not break down against tidal waves of tsunami or typhoon. Innovative entrepreneurial leadership has swiftly responded to the various challenges with creativity. Japan uses the least petroleum based energy per unit of output and leaves international competitors behind. Japanese automobiles and electronics have won high consumer acceptance globally.

Thirdly, Japan worked to develop the stock of human capital to best suit the needs of the economy. The motivation to survive by overcoming the odds became a virtue of the people of Japan and manifested itself in the Japanese corporate organizations as they persisted to make the labor force an integrated constituent of the industrial unit. The total care of the labor force from cradle to the grave became the rule. Much has been written about the recent changes of management and labor force in the Japanese industries. Given the long life span of the people, Japan's aging population will be a challenge in the coming years.

Fourth and finally, following the terms of surrender in WWII, Japan was only permitted to allocate minimal resources to the country's defense budget. As of 2006, Japan allocates just 1 percent of its GDP to its defense budget, allowing a near total mobilization of resources towards civilian economic growth. In addition, Japan was given free access to the US market and a period of robust economic interaction followed. Indeed, Japan made the best of the situation and quickly became one of the world's economic superpowers.

Based on sectoral shares of GDP, the economic structure of Japan compares with that of the USA. Japan is an international economy with trade and investment engagements with most countries around the world. Japan has been enjoying a positive current account balance though the public debt, presently at 176.2 % of GDP, is a serious problem.

Japan is a constitutional monarchy with a parliamentary form of government. The Monarchy is hereditary and the Emperor is the Head of State. The Prime Minister, appointed by the Emperor, is the Head of the government. The leader of the majority Party or of the Majority Coalition of Parties is invited to serve as the Prime Minister. Tokyo is the capital city and there are 47 prefectures, i.e., administrative divisions.

Universal suffrage, at age 20, constitutes the electorate. A bicameral legislature, Diet or Kokkai, consists of (a) the 242- member House of Councillors (Sangi-in) and (b) the 480- member House of Representatives (Shugi-in). The Council has a six-year tenure, with one-third of its members retiring every two years, while the House of

Representatives has four-year terms. The judiciary is headed by the Supreme Court, the Chief Justice being appointed by the Emperor and the other Justices by the Cabinet.

Japan is a member of all major international organizations, inclusive of the United Nations, the World Bank (“WB”), the IMF and their allied organizations including the United Nations Conference on Trade and Development (“UNCTAD”), United Nations Education, Scientific Cooperation Organization (“UNESCO”), United Nations Institute for Training and Research (“UNITAR”), International Labor Organization (“ILO”), OECD, WTO, World Health Organization (“WHO”) and Group of Eight (“G-8”). Japan is not a permanent member of the UN Security Council and Japan’s candidacy is currently is an issue of debate.

### 3. Republic of Korea (South Korea)

A land of Asian economic miracle in Northeast Asia, the Republic of Korea is an immediate neighbor of Japan, off the Sea of Japan and the Korean Strait. The three independent Korean states united in the 7th century, constituting the United States of Korea. In 1905, Korea became a protectorate of Japan, and then a colony.

Following Japan’s defeat in WWII, the Republic of Korea in the South and the Communist-controlled Democratic Republic of Korea (“DRK”) in the North became an ad hoc arrangement. South Korea adopted August 15, 1945 as its day of deliverance from Japanese occupation, which is observed as Liberation Day. The history of the Korean War (1950-1953) and the role played by the USA and its allies for South Korea, and Russia and China for the North, is familiar. The armistice in 1953 created two Koreas and established a demilitarized zone at the 38th parallel, which has now become a tourist attraction.

The peoples of the two Koreas are eager for the reunification so that separated families can finally reunite, and the rich and industrialized South Korea can provide the necessary economic support to the people in North Korea who continue to be in severe economic distress. The world waits for the reunification of the two Koreas; the political authorities of the USA and Japan on behalf of South Korea, and China and Russia for North Korea, have been engaged in prolonged negotiations to make sure that North Korea’s nuclear power will be duly contained.. With a nuclear arsenal under the control of the current regime, North Korea will be a threat to regional stability. In 2007, negotiations have reached a high point. With the release of North Korean funds blocked by the USA in June 2007, a settlement is finally a possibility.

We limit our study to the Republic of Korea, i.e., South Korea, with a population of 49 million (2007) in a land area of 98,480 sq. km., and a GDP total of USD 897.4 billion (2007). Korea has an average annual rate of growth of about 8 percent, overcoming the challenges of the Asian Financial Crisis of 1997-1998. Korea has developed into a mature industrialized economy. Admission to the OECD in 1996, only the second member from Asia, lends strong support to the statement. A visit to the folk museum, the National Folk Museum of Korea, some 25 miles from the capital city offering exhibits recording the progress of Korea from its days of poverty to the present days of prosperity, will be highly instructive.

The capital of South Korea is Seoul. There are 9 provinces and 7 metropolitan cities. Korea is a pluralistic democracy based on universal franchise at the age of 19. The Constitution of the country, adopted on July 17, 1948, has been amended as many as nine times, the latest on October 29, 1987. The President, elected by popular vote for a single five-year term, is the Chief of State. The Prime Minister, appointed by the President with the consent of the National Assembly, is the Head of the government. The leader of the majority party or of the majority coalition of parties is invited to serve as the Prime Minister. Deputy Prime Ministers are appointed by the President on the recommendation of the Prime Minister. The legislative branch consists of a unicameral legislature, the National Assembly, with 299 members elected for four-year terms, 243 from single-seat constituencies and 56 by proportional representation. The judicial branch consists of (a) the Supreme Court and (b) the Constitutional Court. Justices of the former are appointed by the President with approval of the National Assembly while Justices of the latter are appointed by the President on the nomination by the National Assembly and Chief Justice of the Court. Korea is a member of all major international organizations and has played a leadership role in APEC (Yoo, Jang-Hee pp. 96-109 in Dutta 1999).

Korea changed from an economic policy anchored to the principle of import substitution in the early 1970s and adopted an open economic policy. The paradigm of import-export-led growth model (Klein 1990) quickly manifested itself. Beginning in 1962, Korea adopted a series of five-year economic development plans in the context of its capitalist free market economy. The concept of such five-year economic plans do not relate to the USA, nor to Japan, the leading capitalist free market economies. However, in the USA, the sitting President's four-year tenure becomes a framework for 4-year economic plans. The same is the case for the four-year tenure of the Prime Minister, who heads the Japanese government. Of course, they are not formal economic plans.

Korea formally adopted its five-year economic plans permitting private ownership of all economic enterprises in the pronounced absence of state ownership and management of entrepreneurial activities. The government, jointly with the Central Bank of Korea, formulates and administer monetary and fiscal policies toward the goal of fulfilling each five-year economic plan, as adopted. Much has been written about the cooperation between the business sector and the government sector in Korea, often referred to as "a happy marriage".

Korea followed a deliberative process for the development of each five-year plan. For and on behalf of the people of Korea, the Korean government begins by defining an outline. The proposed outline is thoroughly reviewed by (a) the business community through their organizations and (b) the intellectual community, represented by Korea's many and varied academic institutions and think-tanks. The reviews generate comments and criticism, and progresses from the top to the bottom and also from the bottom to the top. The plan thus ensures collaboration amongst the three core groups, political, industrial and intellectual, and facilitates successful implementation of the plan. Korea is proud of its record that, but for one exception, its five-year plans have been a story of success in terms of its goals.

Korea's adoption of the policy of phased industrialization of the economy must be a lesson for other newly industrializing economies. Korea began with the low-tech industries and moved on to successive stages by way of progression through medium, advanced and cutting-edge technology. This helped both Korean labor and management;

on the job training became a learning process where labor and management also learned to cooperate with each other. The record shows that the state of industrial relations in Korea has been uniquely free from material loss of output due to strikes and hostile labor disputes. The progress of industrialization has contributed to the increase of the marginal productivity of a unit of labor and the consequent rises in the wage rates. Low wage labor in Korea is a story of the past.

To begin with, the Korean exports of textile and other low-tech products earned global consumer acceptance, widely broadening Korea's access to the world market. Over the years, Korea has been manufacturing steel, electronics, automobile, ships and telecommunication instruments, earning global market shares in each case. Korea's endowment of natural resources is limited, and Korea must be able to explore sources for supplies of industrial raw materials. Of course, Korea is aggressively expanding its market shares in relatively resource and labor abundant economies in Asia, inclusive of China and India, as well as Australia and New Zealand in the South Pacific. The financial crisis of 1997-98 apart, the annual growth rate of the Korean economy has been estimated to be 8-9 percent and the Korean model has been referred to as a unique case of Asian economic success (see Chapter 3).

For all its success, the system was tested by the Asian Financial Crisis of 1997-1998 and met the challenge with appropriate policy changes. In 1998, Korea's GDP plunged to 6.9 percent, then briefly recovered from 1998 and 2000. However, the growth rate could not be sustained and fell back to 3.3 percent in 2001. The annual growth rate for 2003-2006 has been about 4 percent, half the recent historical annual average rate. The estimated real growth rate for 2006 is 4.8 percent.

The financial crisis touched the nerve of Korea's high growth oriented newly industrialized economy and revealed that Korea failed to plan for a period of softening for the economy. No economy can grow at a very high rate for an indefinite period. The development of bottlenecks in the fast growth mode of an economy due to resource gaps and labor shortages was not considered or analyzed appropriately. As such, a period of "cooling down" by the proper management of macroeconomic policies with its monetary and fiscal guidelines did not take place in Korea. One wonders if the Korean Ministry of Finance and the Korean Central Bank could have successfully acted to confront the critical situation. The irrational borrowing by the Korean business houses and of corresponding irrational lending from banks and financial institutions mostly in the USA contributed to a situation of collusion, and decisions for making loans came to be based on extra-economic considerations. No wonder then, that the rescue operation of Korea's financial crisis was led not by the governments of the two countries, but by the Citigroup, the ranking American bank with a significant stake in Korea. The crisis was duly called a financial crisis. The real economy remained robust and Korea's economic recovery became manageable. Given the level of industrialization and structural changes of the Korean economy, its annual growth rate may now be at the comparable rate of other leading industrialized economies, say 4 percent. The point for consideration will be the rational interaction of micro-and -macro-economic parameters of the economy. Irrational exuberance by corporate actors warrant due constraints by rational fiscal and monetary guidelines of the country.

## 4. People's Republic of China

China's huge geographical area (9,596,960 sq. km), spans from the Pacific to Kazakhstan, Kyrgyzstan and Tajikistan in Western Asia and is home to 1,321,851,888 people (2007 estimate). It is the world's most populous economy. In the confluence of the Yangtze and Yellow rivers, the Chinese civilization took root five millennia ago. Voltaire wrote "the body of this empire has existed four thousand years, without having undergone any sensible alteration in its laws, customs, language, or even in its fashions of apparel" (Durant 1949, p. 639-41).

The success of the Communist Revolution in 1949 led to the establishment of a communist regime in China, headed by Comrade Mao Zedong. The PRC was formally established on October 1, 1949 and the date is observed as the anniversary of the founding of the PRC. Under the economic game plan of the regime, all means of production belonged to the collective people of China, to be managed by the government for the people of China, ensuring economic gains for all. The familiar dictum of a government of the people, by the people and for the people, became interpreted under the communist rule in a very different way. The absence of pluralism led to one party rule; debate and dissent by opposition political parties were nonexistent. Freedom of the media was subject to control by the Communist Party of China. The case was forcefully made that the Communist Party represented the people of China, wholly and fully. Private ownership of the means of production led to the profiteering by the wealthy class, leaving the dispossessed working class in economic distress. Over time, communist economic planning failed to deliver all it promised to the people of China. Economic distress inclusive of famine and social disorder plagued the people.

With the communist takeover of China, free market economies led by the USA, proclaimed Mainland China did not exist; the island of Taiwan was recognized as China instead. This foreign policy initiative maintained the international isolation of China with a notable exception of the Soviet Union. The dissenting positions paralyzed the UN Security Council. Over time, the rest of the world became increasingly concerned with the unrealistic concept of a "Greater China did not exist" policy. The UN General Assembly initiated a move to debate the issue.

Economics within China and politics in the international community finally culminated in the Shanghai Communiqué of 1972, signed by the Presidents of China and the USA. They both accepted the One China doctrine and China was rediscovered. The movement for economic reform in China quickly gathered momentum. The Gang of Four who challenged the reform program was eliminated. Following 1978, a reform regime under President Deng Xiaoping was inaugurated. "To be rich is glorious," was his clarion call.

The failure of the centralized command system of the earlier Communist regime warranted dynamic innovation. The concept of a socialist market economy became the foundation of the new economic paradigm. Old communist economic plans had failed to motivate farmers in the agricultural sector and workers in the industrial enterprises and the creation of incentives became a core issue of debate. The supply of food and other necessities for its billion-plus people and consequent agricultural reform program became the first step. Under the old commune system, land belonged not to the individual, but to the community, and farmers shared the fruit of their labors. This policy was replaced by

the family responsibility system, which permitted family ownership of land. Successive measures of reform followed at a rapid pace. This provided incentives to the farmers and resulted in a notable upturn in the agricultural sector of the Chinese economy.

In the industrial sector, however, a similar enterprise responsibility system did not work. There was a critical need for the inflow of capital funds so that China could import modern machines and equipment to manufacture cost and quality competitive products, acceptable to consumers in the world market. After some trial and error, funds began to come in as foreign direct investment, with 100 percent foreign ownership (see Chapter 3).

The debate for privatization or marketization of the means of production continues. Indeed, China has only recently passed laws recognizing private ownership of land, and the transfer of state-owned-and state-managed enterprises to private ownership has slowly, but surely, been in progress. Much has been written about China's industrial revolution and global economic presence (Dutta 2006, Chow 2007, Chang 1949).

As indicated earlier, the government of the PRC is run by the Communist Party of China. The President, elected by the National People's Congress for a five-year tenure, is the Chief of the State, and he is assisted by a Vice President, also elected by the National People's Congress, for a five-year term. The Prime Minister, appointed by the President, subject to the approval of the People's National Congress, is the head of the government. The unicameral legislature is the People's National Congress consisting of 2,985 members, elected by municipal, regional and provincial legislatures, each serving five-year terms. The judiciary is headed by the Supreme People's Court, judges being nominated by the National People's Congress. Local People's Courts and Special People's Courts serve their respective judicial assignments. China has assumed seats on all international post-WWII institutions, inclusive of earning a seat on the UN Security Council with full veto power. China is not a member of the G-8, the Group of Eight major industrialized countries.

Beijing is the capital city. The country has 23 provinces inclusive of Taiwan, which is considered a renegade province. In addition, China has (a) five autonomous regions – Inner Mongolia, Ningxia, Xinjiang, and Xizang (Tibet), (b) four municipalities – Beijing, Shanghai, Chongqing and Tianjin, and (c) two special administrative regions ("SARs"), Hong Kong and Macao.

The economy of China has made phenomenal progress since its progressive implementation of the economic reform program over the past 30 years. The socialist market economy has invited investments from mature industrialized economies, by way of offering economic incentives in the form of (a) low wage labor, (b) a relative abundance of natural endowments and (c) a massive potential market with its billion-plus people. China's state enterprises, owned and managed by the Chinese government, were declined loans from the banks and financial institutions in the free market capitalist economies. For the same reason, joint ventures between China's state- enterprises and corporate entities of the capitalist economies overseas were not feasible. Under the given circumstances, foreign direct investment i.e., foreign investment with one hundred percent foreign ownership, became China's one and only option. China went for it and the inflow of foreign direct investment rushed in. Provisions for profit repatriation by foreign investors were made, adding more impetus to the inflows of FDI. China became a beneficiary of optimum technology and management organization that came with such foreign investments as foreign investors from various countries had to aggressively

compete to maximize their respective profits. As export promotion by foreign investors helped fuel profit repatriation to their home countries, it concurrently broadened China's access to the global market. The foreign exchange reserve of China has currently reached a new high, valued at approximately USD 1.3 trillion as of June 2007, and China's international credit rating has become spectacular. China's estimated holdings of well over USD 1 trillion in US treasury bonds have helped the USA cover its current debt burden of some USD 10 trillion, and of course, is a frequent news item. Based on three factors, (a) China's unexplored resources, (b) the steady industrialization of the Chinese West, and (c) the ability to acquire resources from all sources in all continents by payment in cash from its huge foreign exchange reserves, will undoubtedly facilitate the process. China's high rate of growth will expectedly continue for some years to come (Dutta 2006). It is instructive to note that China's 11th Five-Year Plan (2006-2010) sets the goal for a 20 percent reduction of energy per unit of GDP with a corresponding 45 percent increase in GDP.

China's industrial activities cover mining and ore processing, iron, steel, aluminum, coal, machine building, petroleum, cement, chemicals, fertilizers, textiles, consumer products, telecommunication tools, transportation equipments including automobiles, ships, rail cars, locomotives and aircraft. Its space industry is in its growth stage. China is now a nuclear power with major defense capabilities. Instead of the Great Wall, China's modern defense umbrella against any and all enemies is its nuclear shield. China's Industrial Revolution and economic presence on the map of the world has become a wonder of our time.

Jointly with Japan and Korea, China has been a leading actor in the 3+5 model of Asian economic cooperation. The three have invited India to join them and the five new ASEAN economies to constitute the 4+10 model, as noted earlier. China also joined Japan and Korea to call for a common Asian currency. Together the people of Asia can be richer and more affluent, or they will remain victims of intra-regional conflicts and the consequent economic miseries. The states in China's far west with Moslem-majority population will have a sense of belonging together to the map of Asia.

## 5. Republic of India

India is the world's second most populous economy, with 1,129,866,154 (2007) people living in a land area of just 3,287,590 sq. km. Cradled between the Himalayas to the North and the Indian Ocean to the South, the Indus Valley civilization dates back at least 5000 years. Historically, India and China have been friendly neighbors. The Silk Road spanned the Himalayas and became the avenue for philosophical and trade engagements between the two countries. Buddhism spread to China from India (see travel accounts by the Chinese traveler to India, Fa-Hien at the opening of the fifth century (401 CE), and later on by Yuan Chwang (628-645 CE), the most famous of the Chinese Buddhists). The Buddhist teachings at Nalanda University in India impressed him so much that he remained there as a scholar for over a decade. History also records trade relations between the peoples of the Indus Valley and ancient Mesopotamia, present day Iraq (Kenoyer 1998, p. 89-99, Mallory 1989).

The Indus Valley, also known as the land of the rivers, became the home of an ancient civilization during the fourth and third millennium BCE (Durant 1954, pp.394-95). The Aryan people arrived from the northwest in India and steadily they spread eastward along the Indus and the Ganges rivers, until they came to control all Hindustan, India north of the Narmada River.

Successive groups of invaders - the Kushans, the Sakas, the Huns, the Pathans and the Moghuls, came to India from the 6th century onward, often as conquerors. The native population in India, especially the Dravidians in the south of the country, accepted them. The Indian population absorbed all the invading groups and they all became Indians. In late 15th century, Europeans, the British, the French, the Portuguese and the Dutch, each had their share of power struggles in search of a claim to India. The British won the game and established its imperial regime in India, and continued to rule for some two hundred years. In 1947, the Indian independence movement, led by Mahatma Mohandas Karam Chand Gandhi with his novel arsenal of nonviolence and Satyagraha (a commitment to truth), successfully caused the liquidation of the British empire in India. The Indian National Congress was organized to articulate the voice of the people of India and their leaders headed the government of India. Maulana Abul Kalam Azad became India's first President and Jawaharlal Nehru was sworn in as the first Prime Minister. In India's parliamentary form of government, the President is the constitutional head of the state, while the Prime Minister is the head of the government. In recognition of independence from British imperialism on August 15, 1947, India celebrates August 15 as Independence Day. India adopted its Constitution on January 26, 1950, and January 26 is a national holiday to observe Republic Day.

Two immediate problems warrant attention. First, under the British rule, many Indian states became integrated into one India. However, the British found it cost-effective to support several hundred native states, permitting Rajas and Maharajas, Nawabs and Sultans to rule over their respective principalities, only if they accepted the imperial authority of the British Sovereign. When the British left India, the Indian government, led by Deputy Prime Minister Sardar Patel, had to invite the principals of all these native states to sign an instrument of accession to become integrated in sovereign India. In general, it was a great success story. The Maharaja of Kashmir signed the instrument of accession and Kashmir became a part of India. As the majority of the population of the state was Moslems, Pakistan disputed Kashmir's integration with India. This has contributed to many further disputes and continues to plague the relationship between the two states.

Secondly, the arbitrary partitioning of India in 1947 by the departing British imperial authority has been an accident of history pregnant with immense consequences adversely impacting the political stability of South Asia. The Indian subcontinent became divided into several sovereign nation states: India, a secular state, Pakistan, Sri Lanka, Bhutan, and the Maldives. Pakistan consisted of the Muslim majority states in the west and in the east of the subcontinent, separated by more than 1,000 miles of Indian territory, failed to survive as one viable state. In 1972, West Pakistan became Pakistan and East Pakistan became Bangladesh, an independent sovereign nation state. The net result is that there are now six sovereign state economies in South Asia, the high price of being ruled by the British Empire plus Nepal, never a part of the British India.

During this time, the USA assumed the leadership of the non-communist free world. To contain the spread of communism from the Soviet Union and China, the USA proposed to set up a military base in India. India declined and elected to remain non-aligned. The situation became further complicated as India offered to lead the coalition of non-aligned nations. India's diplomatic relations with the Soviet Union and her modest trade engagements with her became a subject of much debate. India's receptiveness towards the Soviet Union was suspected by the free world, particularly the USA. The net result was a sub-optimal relationship between the USA and India which substantively compromised the political and economic interactions between the world's two largest democracies.

It is instructive to note that during the decades when the existence of China was denied because it was under the rule of the Communist Party, the recognition of India, a federal republic, a pluralistic democracy also became exposed to critical non-appreciation. India has a large number of political parties, some national and others regional, some with religious affiliation; however, each has a pronounced commitment to serve all the people of India irrespective of manifold diversities: linguistic, race, caste, religious and regional. These opposition parties play a critically dominant role.

The Indian Constitution, adopted in 1950, provided for a democratic form of government granting universal suffrage at 18 years of age; one person one vote, irrespective of caste, creed, race, religion, gender or sexual orientation, being the guiding principle. India became first democracy to hold the first all-inclusive general election in 1951, several years ahead of the USA. In USA, President Johnson signed the Civil Rights Act in 1964, and then the Voting Rights Act in 1965, which provided for one person, one vote democracy for all Americans. During the presidential election of 1968, all Americans, Blacks and Whites, finally voted together for the first time. The process took more than one hundred years after the signing of the Emancipation Proclamation by President Lincoln in 1862.

New Delhi is the capital city. India has 28 states and 7 union territories –

(a) Andaman Nicobar Islands, (b) Chandigarh, (c) Dadra and Nagar Haveli, (d) Daman and Diu, (e) Delhi, (f) Lakshadweep, and (g) Puducherry (Pondicherry). The Republic of India has a parliamentary form of government. The President, elected by an electoral college consisting of elected members of both houses of the Indian Parliament and the state legislatures for a five-year term, is the chief of the state and the constitutional head. There are no term limits. The President is joined by a Vice President, elected by both houses of the Indian Parliament for a 5-year tenure. The Prime Minister, appointed by the President, is the head of the government and is the leader of the majority party and/or of the majority coalition of parties, commanding the confidence of the Parliament. The Cabinet is appointed by the President on the recommendation of the Prime Minister.

The legislative department consists of the bicameral parliament, the Council of States (Rajya Sabha) and the People's Assembly (Lok Sabha). The Council is limited to 250 members, 12 of whom are appointed by the President and the rest elected by the elected members of the state and territorial legislatures, each member serving a 6-year term. The People's Assembly consists of 545 seats, 543 elected by popular vote and 2 appointed by the President. Members serve for 5-year terms. The Supreme Court of India leads the judiciary, with one Chief Justice and 25 Associate Justices, all appointed

by the President. Justices serve until the age of 65, unless removed earlier for an act of “proved misbehavior”.

India is a member of all the major international organizations inclusive of the IMF, WB, WHO, the International Atomic Energy Agency (“IAEA”), the WTO, UNCTAD, UNESCO, and the UN. India is not a permanent member of the UN Security Council. Like China, India is not a member of the G-8, the Group of Eight major industrialized countries.

India adopted five year economic plans, based on a two sector model whereby industries in one sector were owned and managed wholly and fully by the government, while the other sector provided for private business corporations to enjoy one hundred percent ownership and management authority. In general, key industries came under the government sector. India’s two sector five year plans were distinctly different from the capitalist five-year plans, as in Korea, or from the communist five year plans, as in China. The mature industrialized countries of the world failed to appreciate the two-sector model of India, all the time expressing many reservations about India’s non-alignment policy.

India adopted a qualified open economic policy. For India, the two factors for consideration were: (a) the history of the British East India Company manipulating the political situations in India and the subsequent establishment the British Empire in the Indian sub-continent, and (b) India’s well-established business leaders wanted to direct the rebuilding efforts in the post-imperial era economy of free India, understandably so. We may recall that as Korea industrialized, the Korean business leaders did not want foreign direct investment, nor did they welcome joint ventures. However, they did borrow from foreign banks, mostly American banks, and led the process of Korea’s graduation to a mature industrialized economy. Under specific circumstances, China opted for foreign direct investment with one hundred percent ownership of, and management, by individual foreign investors.

To accelerate the process of industrialization, India proposed limited opportunities for the inflow of foreign investments. Foreigners were invited to establish joint ventures with Indian business groups, limiting foreign investments to minority shareholdings. The limit was initially set at 25 percent, raised to 49 percent, and only recently to 100 percent foreign ownership. As in China, foreign investors were attracted by the same three factors: (a) the availability of low wage labor, ordinary as well as skilled, (b) a relative abundance of natural resources waiting to be exploited and (c) a huge population base to form a potential market. To obtain a foot-mark in the enormous potential of the Indian economy, some foreign investors elected to invest in India as minority shareholders. That was far less than the investment needs of India.

India’s five year economic plans failed to deliver what they promised to the people of India. Two specific reasons were responsible: (a) the absence of competition in the government owned and managed industries contributed to inefficiencies. Many continued to suffer chronic losses, which were absorbed by the national budget. Officials in charge of management were not held accountable, nor were the units exposed to liquidation. (b) The cooperation between the private and government sectors was a key factor for the progressive industrialization of the Indian economy. Over time, the cooperation degenerated into collusion as industrial leaders in the private sector were anxious to buy access to the political leaders in government for necessary supplies of key products of the manufactures of the government sector, which they would have to use as

inputs for manufacturing their final products. In the process, they would be more aggressive to out-compete their fellow business leaders in the private sector. Thus, economic decisions for the allocation of available limited resources from the key industries under government control came to be based on extra-economic considerations.

The proposal for an economic reform agenda became articulate as early as the 1970s. At about the same time, China recognized the failure of the Communist five year economic plans in China and promptly adopted the reform plan of a socialist market economy. The contrast became pronounced as the world read about the successes of the Korea's successful capitalist five-year plans.

In India, the change did not come soon enough. The change of governments following India's elections did not provide sufficient time for the parties to promote effective economic reforms. However, the debate for economic reform continued and India's economic reform plan finally came to be adopted in 1981. The author of India's economic reform plan, Manmohan Singh, a distinguished economist with a thorough understanding of the Indian economy, is now the Prime Minister of India. The focus is on an open economic policy encouraging more inflow of foreign investments, a liberal trade policy and a policy of pronounced priority to high-tech industries. In recent years, the average annual rate of growth of the Indian economy has been 7-plus percent, reaching a high of 8.5 percent in 2006. However, for the long run since 1980, the average annual growth rate of India has only been about 5 percent, whereas China's average annual growth rate has been as high as 9 percent for the same period.

India continues to be an agriculture-dominant economy; as much as 20 percent of its GDP still comes from the agricultural sector, which employs some 60 percent of its labor force. As of 2005, the share of India's GDP from its industrial sector approached 20 percent though recent news items point to the fact that the output from the industrial sector is beginning to experience an upturn. Indian industries include textiles, chemicals, steel, machinery, transportation equipment, software, cement, mining and petroleum. India has a well structured banking and financial market and as of 2006, the country's reserve of foreign exchange and gold is estimated at USD 165 billion. The Indian economy must continue to stimulate economic growth to earn its place as a serious competitive actor in the Asian and global economy.

Because of the fact that they did not touch the waters of the Pacific Ocean, India and other South Asian countries were denied membership of the APEC. The South Asian Association for Regional Economic Cooperation (SAARC) came into existence in 1985. Its agenda remained limited. Following the Asian Financial Crisis of 1997-98, as noted earlier, the 3+ 5 model of Asian economic cooperation came into operation. India was not invited to join the group. Indeed, the model elected to limit its activities to East Asian economies. Did South Asia belong to the map of Asia? India, under the leadership Prime Minister, Manmohan Singh, has forcefully articulated the concept of South Asia's belonging to the map of Asia and has offered to share the leadership role toward developing the paradigm of the integrated Asian Economic Community with Asian Money. (Singh, M. 2004 and 2006). The South Asian grouping of the member states in SAARC, with India as the single largest member in terms of geographic area, population and economic magnitude, has made other members of the group feel less comfortable. The map of Asia offers a larger canvass for all member states, large as well as small.

## 6. Republic of Indonesia

In Southeast Asia between the Indian Ocean and the Pacific Ocean, Indonesia, a collection of 17,508 islands (only 6,000 populated), constitute an area of 1,919,440 sq. km. with a population of 234,693,997 (2007 estimate) is the world's fifth largest populous economy, next to China, India, the EU and the USA. This colorful island-state is home to the world's largest Moslem population, India coming next. Let us note that one of Indonesia's 30 provinces, Bali, has a majority Hindu population that retains pronounced imprints of Hindu culture and religion. It is instructive to note that in this largest Moslem country of the world, many national leaders of the Moslem faith have had Sanskrit names. In the province of Yogyakarta, the historic art works of the Hindu civilization at Borobudur have been preserved under special government care, and Borobudur continues to attract tourists and scholarly researchers from all over the world.

In the early 17th century, the Dutch colonized the country and it came under Japanese occupation during World War II. Following Japan's withdrawal, the post-WWII decades recorded a confrontation between the people of Indonesia and the government of the Netherlands. Indonesia declared independence of the Dutch imperial rule on August 17, 1945 and became a sovereign nation state led by President Sukarno. For years, the relationship between Indonesia and the former imperial authority continued to be tense. The world community led by the USA had much reservation about the new Indonesian leader. Following years of political upheavals and economic distress endured by the people of Indonesia, on February 7, 1967, Sukarno left office. General Suharto became the new head and led the country for years, ushering in a period of apparent stability and economic prosperity in a regime of military dictatorship. Though not an economist, Suharto recognized that the economy was in a very difficult state, with the rate of inflation at 600 percent in 1965. He introduced an economic policy with a firm commitment to fiscal stability targeting the principle of a balanced budget (Elson 2003, pp. 150-201). Suharto, a man of pragmatic calculation, assumed the presidency unopposed for successive terms in 1973, 1978, 1983, 1988, 1993 and 1998. However, economic prosperity remained limited to an elite class close to the political establishment, and the great majority of the people of Indonesia failed to share it. They remained poor and they revolted. The people's revolution ended the Suharto regime. A strange coincidence of history then occurred: the daughter of the deposed and subsequently slain President Sukarno, Megawati Sukarnoputri, took over the helm as the next President; she however lost the election in 2004.

Indonesia experienced eventful changes in the process of constitution making. The first Federal Constitution of 1945 was abrogated by the Federal Constitution of 1949, and then by the Provisional Constitution of 1950. On July 5, 1959, the current Constitution came into place, further modified by a series of amendments in 2002.

Indonesia is now a federal republic, a pluralistic democracy, based on universal franchise at 17 years of age. It has a Presidential form of government. Elected directly by popular vote for a five-year term, with a two term limit, the President is both the chief of state and head of the government. He is joined by a Vice President, similarly elected. The last election was held on September 20, 2004. The President appoints the Cabinet, and members serve at the President's pleasure.

The bicameral legislative branch consists of the House of Representative (Dewan Perwakilan Rakyat) and the House of Regional Representatives (Dewan Perwakilan Daerah). The House of Representatives has 550 seats and members serve for five-year terms. The House of Regional Representatives has the constitutional charge of making the necessary legislative inputs affecting the regions. The Constitution also provides for the People's Consultative Assembly (Majelis Permusyawaratan Rakyat), consisting of the elected members of both Houses, with the specific charge for inaugurating and impeaching a President and in amending the Constitution, as required. The Consultative Assembly does not formulate national policy. The Supreme Court (Mahkamah Agung), with Justices appointed by the President from a list of approved candidates submitted by the legislature, leads the judiciary. As of 2004, the Supreme Court assumed the responsibility of managing the lower court system of the country and in 2006, it further took over the management of the Labor Court. As of August 16, 2003, a separate Constitutional Court (Mahkamah Konstitusi) has been in function.

Jakarta is the capital city. Indonesia has 30 provinces, and 2 special regions – Aceh and Yogyakarta, in addition to the capital city district of Jakarta Raya. As of 2001, following the implementation of the decentralization plan, there are 440 districts or regencies as the constituent administrative units.

The economy of Indonesia, endowed with natural resources and minerals including petroleum, lumber, and marine life, has a potential of industrialization. President Suharto adopted an open economic policy inviting inflows of foreign investment, both joint ventures and direct investment. The potential of industrialization was abruptly disrupted by the people's revolt. In the post-Suharto regime, the restoration of political stability became a necessary condition to continue the flow of foreign investments. Indonesia soon returned to its growth path. Its industries include petroleum and natural gas, textiles, apparel, footwear, mining, cement, chemical fertilizers, plywood, food products and rubber.

The 1997-1998 Asian Financial Crisis touched the economy, and the challenge to formulate macroeconomic policy actions with proper monetary and fiscal measures became a priority. The rate of inflation has been a serious problem. The restructuring of the economy by improving the overall investment climate and infrastructure remains a task. Major natural calamities, particularly the Tsunami in December 2004, and earthquake in central Java May 2006, caused great destructions and continue to overwhelm the Indonesian economy. Terrorist activities further aggravate the situation. The killings in Bali caused deaths of many Australian tourists and threatened the robust economic relations between the two neighboring economies, Indonesia and Australia (Arndt 1984). The Indonesian authorities took appropriate actions and as of 2006, its rate of growth of GDP has reached 5.4 percent.

Indonesia is a member of all major international organizations. A founding member of ASEAN, it has taken a prominent role in the 4+10 model of Asian economic cooperation.

## 7. Malaysia

The British Empire extended over much of Southeast Asia including the Malay peninsula for the 18th and 19th centuries. With the collapse of the Empire, the Federation of Malays became an independent sovereign nation state in 1957 and was joined by the former British colony of Singapore, and Sabah and Sarawak on the northern coast of Borneo, Indonesia. Events quickly progressed and led to confrontation between Indonesia and Malaysia. The Philippines claimed Sabah. In 1965, Singapore parted company, a divorce in harmony, as has been the case for the Czech Republic and Slovakia in the EU. Both Malaysia and Singapore are founding members of ASEAN, and happily, both continue to play a positive role in Asian regional economic integration.

With an area of 329,750 sq. km., and a population of 24,821,286 (2007 estimate), Malaysia is a relatively small economy between the South China Sea and the Strait of Malacca, but rich in natural resources inclusive of tin, petroleum, timber, copper, iron ore, natural gas and bauxite. Its rubber plantation is a gold mine and as long as the rest of the world continues to have its ever-increasing demand for rubber goods, Malaysia will be ready to earn its share of profits, of course, at the fair price the world market will bear.

With a constitutional Monarch as the chief the state, Malaysia is a democracy, based on universal suffrage at age 21. Its administrative divisions consist of thirteen states and one federal territory with three areas – the city of Kuala Lumpur, Labuan and Putrajaya. Kuala Lumpur is the capital city.

On August 31, 1957 Malaysia became independent of British imperial rule and they observe August 31 as Independence Day, or Malaysia Day. The Constitution was adopted on the same day and then later amended on September 16, 1963.

The Paramount Ruler Sultan is the chief of state; the office is hereditary. With the consent of the Sultan, the Prime Minister is the head of government and is the leader of the majority party or of the coalition of parties in the House of Representatives. The legislature is bicameral, consisting of the Senate (Dewan Negara) and the House of Representatives (Dewan Rakyat). The Senate has 70 seats, 44 appointed by the paramount ruler and 26 by the state legislatures. The House has 219 seats, members elected directly by popular vote for five-year terms. The Federal Court, with judges appointed by the Sultan on the advice of the Prime Minister, heads the judiciary.

Two states, Melaka and Penang, along with Sabah and Sarawak in East Malaysia, are not under the domain of the country's hereditary ruler. Rather, they have governors appointed by the government, as per rules in the Federal Constitution. Sabah and Sarawak enjoy certain constitutional privileges, and each has seats allocated in the House, Sabah 25 and Sarawak 28.

Malaysian economy has scored significant achievements. What was a pre-industrialized, agricultural economy dependent on exports of raw materials has emerged as an industrialized economy. Increases in the shares of its GDP from the industrial sector and service sectors have progressively moved up. Leading Malaysia for his 22-year tenure, Prime Minister Mahatir bin Mohamad (1981-2003) must be credited as the chief architect.

As a low income, savings-poor economy, Malaysia adopted an economic policy inviting investments from savings-rich high-income mature industrialized economies. Foreign direct investments and joint ventures between Malaysian and overseas investors

were welcome. Investment in Malaysia contributed to the creation of jobs and incomes for the people of the country, and the economy experienced growth. Malaysia restricted speculative flows of funds inclusive of hedge funds. It was forcefully argued that an open economic policy does not necessarily mean free inflows and outflows of funds which would exacerbate exchange rate fluctuations and adversely impact the Malaysian economy. It was argued, rightly so, that Malaysia was not ready to absorb the same financial market shocks that rich countries could. Malaysia successfully contained its share of the 1997-1998 Asian Financial Crisis, when the international organizations, the IMF and the WB, did too little, too late. The economy grew at 4.9 percent in 2003, and at 7 percent in 2004; the average annual growth rate for 2005-06 was 5 percent. Malaysia's infrastructure has recorded a necessary pattern of upturn.

The Ninth Malaysia Plan offers a well specified agenda for 2006-2010 with targets for progressive industrialization. The country's industries include rubber and oil palm processing and manufacturing, light manufacturing, electronics, tin mining and smelting, logging, timber processing and agriculture processing. Adding value to the raw materials and exporting the value-added manufactures is the work plan that has permitted the economy to become more diversified. Let us note that over the years, Malaysia has become an economy in Asia with relatively high per capita income, following Japan, Singapore, Chinese Taipei and Korea, in that order.

Malaysia has been the land of religious and linguistic integration. The majority of the population is Moslem (60.4 percent) while Buddhists, Christians and Hindus add up to 35 percent. Bahasa Malaya is the official language, but Chinese and Indian languages are widely spoken. A visit to a neighboring city where a Moslem Mosque, a Christian Church and a Hindu Temple are located in close proximity to each other is quite educational. In Malaysia diversity is respected and the law provides for power-sharing based on diverse affiliations.

## 8. Republic of the Philippines

The Philippines is an island country in Southeast Asia, an archipelago of 7,107 islands, bordered by the South China Sea, the Philippine Sea, the Celebes Sea, and the Luzon Strait. Its neighbors include China, Chinese Taipei, Vietnam, Indonesia and Malaysia. It has a population of 91,077,287 (2007 estimate) in a land area of 300,000 sq. km., a fairly large economy.

Spain colonized the land during the 16th century. Following Spain's defeat in the Spanish-American War in 1898, the Philippines became an American colony. In 1935, the Philippines became a self-governing commonwealth with prospects for independence in ten years. When Japan occupied the land in 1942, Americans and Filipinos joined forces to drive them out. Following Japan's surrender, the Republic of the Philippines became a sovereign nation state on July 4, 1946. The last of the US Military bases in its territory closed in 1992, but of course, the country remains under the American defense umbrella.

The defense alliance with America allowed the Philippines to enjoy open economic cooperation with the USA involving trade and investment flows. The export earnings of the Philippines became sufficiently large, but the economic game plan

became a zero-sum game for the country. The repatriation of export earnings home for investment in the Philippines and the creation of employment and income for the people of the Filipinos failed to materialize. Much of it was held in the USA for safe keeping for the benefit of the ruling clique. The now-famous story of conspicuous consumption by the then First Lady, Mrs. Marcos, of the Philippines is on record.

The “people power” movement resulted in the collapse of the 20-year authoritarian rule by President Ferdinand Marcos. Fidel Ramos was elected President in 1992. A turning point of significance occurred; the implementation of new economic policy measures followed. President Ramos initiated a substantive program of economic reconstruction and recovery. The Philippines, under successive administrations, continue to rebuild its economy. Strong competition from neighboring economies apart, the Asian Financial Crisis of 1997-1998 plus terrorist insurgencies in the southern regions of the country have certainly added to the enormity of the challenge.

With 90-plus percent of its population subscribing to the Christian faith, 80.9 percent of them being Roman Catholic, the Philippines is a Christian country; barely 5 percent are Moslem. Linguistic and ethnic diversities are on record. Filipino, based on the native Tagalog, and English are the two official languages. The relative homogeneity of the social structure should be a plus factor for its economic agenda.

The Philippines became independent of Spain’s imperial regime on June 12, 1898, and June 12 is observed as Independence Day, a national holiday. The Constitution was adopted only on February 2, 1987, effective February 11. As stated earlier, independence from the USA came on July 4th, 1946. The people of the Philippines have accepted the role of the USA in the Spanish War as one of the liberator. American efforts against the Japanese occupation during the WWII became another landmark in this regard. Following the war, US rule in the Philippines ended as the country moved to establish a popularly elected democratic regime. Filipinos continue to observe June 12 as Independence Day, independence from Spain, not July 4, independence from the USA.

Manila is the capital city of the Philippines. Seventy provinces and 117 chartered cities make up the administrative divisions. Based on universal franchise at age 18, the Philippines is a pluralistic democracy, a republic with President as both chief of state and head of government. The President is joined by a Vice President. The two officials are elected on separate tickets, directly by popular vote for a single six-year term. The Cabinet is appointed by the President with the consent of the Commission of Appointments.

The bicameral legislature, the Congress (Kongreso) consists of two chambers: the Senate (Senado) and the House of Representatives (Kapulungan Ng Mga Kinatawan). The Senate has 24 seats, members elected at large by popular vote, serving six-year terms, one-half elected every three years. The House has 212 members (the maximum limit imposed by the Constitution being 250), representing districts and elected by popular vote, members serving for three-year terms. The House also has 24 sectoral party-list members. The Supreme Court, with fifteen Justices appointed by the President on the recommendation of the Judicial and Bar Council, serving until 70 years of age, heads the judiciary. The Court of Appeal and Special Courts are parts of the judicial system.

Based on per capita income in Southeast Asia, the Philippines is led by Singapore, Malaysia and Thailand. The sectoral share of GDP indicates that it is struggling to graduate as a newly industrialized economy. As of 2006, the Philippines is in the process of progressive industrialization.

The Philippines escaped serious negative impact from the Asian Financial Crisis of 1997-1998. From a 0.6 percent decline in GDP in 1998, the economy rebounded to an average annual rate of growth of 5 percent for 2002-2006. The process of privatization of government owned and operated enterprises has been slow, and these enterprises continue to suffer losses that add to the nation's high budget deficits. The disproportionate income-distribution and continuing poverty in the country remain an issue. Industries of the country include garments, footwear, electronics assembly, chemicals, pharmaceuticals, wood products, food processing and petroleum refining.

Recent acts of international terrorism and the secessionist movement in the southern region of the island country, dominated by the Moslem population, have added much to the challenges the Philippines continue to face.

The Philippines is a member of all major international organizations. A founding member of the ASEAN, the country continues to play a dynamic role for Asian regional economic cooperation.

## 9. Republic of Singapore

Singapore, the small, rich economy in Southeast Asia with just 692.7 sq. km in land area and a population of 4,553,009 (2007 estimate), is indeed a city-state, with the accompanying privileges of its strategic location.

With its vast empire spanning over the whole of South Asia from Pakistan to Myanmar, plus Australia-New Zealand and numerous island economies in the South Pacific, the British truly needed a hub for its imperial economy. In 1819, Singapore became a British trading colony, and functioned as the base for the region's financial services and transportation. It evolved into a home for international banking and insurance services, critically essential for all trading activities. Singapore with its advantageous location also became a transportation hub for water and then for air. Singapore had little to offer in terms of supply of raw materials and low wage labor, given its small population base; however it did not prove to be a handicap. Mumbai in India or Sydney in Australia would hardly offer a strategic alternative advantage.

With the liquidation of the British Empire, Singapore and Malaysia constituted an independent federation in 1963. Two years later, the two "divorced", and Singapore became a sovereign nation state on August 9, 1965. This day, Independence Day, is observed as a national holiday. The Constitution, earlier adopted for the federation of Singapore and Malaysia in 1963, was appropriately amended in 1965. Singapore is the capital of this city state. Based on universal suffrage at age 21, Singapore is a republic, a pluralistic democracy. Be it noted that in Singapore, franchise is compulsory, as in Luxemburg in the EU.

The President, elected by popular vote for six-year terms, is the chief of the state. The President appoints the Prime Minister, leader of the majority party or of the coalition

of parties, who serves as the head of the government. The Prime Minister is joined by Deputy Prime Ministers, also appointed by the President. The President appoints the Cabinet of Ministers, led by the Prime Minister, and they all are required to be responsible to Parliament.

The Legislature is unicameral, a Parliament with 84 seats. Members are elected by popular votes to serve for five-year terms. In addition, there are nine non-constituency, nominated members, inclusive of no more than three opposition candidates who came closest to winning. The Supreme Court, with the Chief Justice appointed by the President on the advice of the Prime Minister and other judges appointed by the President with the advice of the Chief Justice, heads the judicial branch of the government. The Court of Appeals is a part of the judiciary.

Singapore, a founding member of the ASEAN-five, is a member of all major international organizations. One of the original members of APEC, Singapore continues to be involved in the activities of APEC. Indeed, Singapore is host to the APEC headquarter. However, as APEC failed to deliver on much of its promises for intra-regional free trade, Singapore has become a leading member of the ASEAN free trade area. Indeed, Singapore has been an active member of the 3+ 5 model, now the 4+ 10 model.

Based on the 2000 census, Singaporeans of the Chinese origin comprise nearly four-fifth of the population, followed by the peoples of the Malaysian descent (13.9 percent) and the Indian ancestry (7.9 percent). With some two-fifths of the population subscribing to Buddhism, it is the most dominant religion. English continues to be a leading language (35 percent); However, Mandarin and other Chinese dialects are spoken by some three-fifths of the population. Malay and Tamil are also spoken.

Singapore's per capita income at USD 25,845 (2005) has earned it a rank in Asia second only to Japan. Its sectoral shares of GDP also point to the fact that Singapore is a mature industrialized economy with agriculture contributing 0 percent, industry 33.8 percent and services 66.2 percent. Singapore is a capitalist, free market economy, indeed a global economy. The economic policy of the Singapore government has been pro-market, and it has successfully encouraged private entrepreneurs to sustain and further upgrade Singapore's economy.

Singapore's industries include electronics, chemicals, oil drilling equipment, offshore platform construction, petroleum refining, rubber products and processed food and beverages. Given its strategic location, Singapore has been a predominantly service oriented economy, concentrating on financial and transportation services. Financial services, ship repair services, tourism, research in life sciences and entrepot trade contribute to as much as two-thirds of Singapore's GDP. Given its very limited land area, agriculture's share of its economy is expectedly negligible. Singapore's tourism has recently been limited by strong competition from its neighboring countries, offering more historic, religious and cultural attractions to foreign tourists.

Though the economy of Singapore is experiencing economic prosperity growing at an increasing rate, a population base of 4.6 million provides only a limited labor force (estimated to be 2.4 million in 2006). Immigration, estimated at 798 per 1,000 people for 2007, is a critically challenging problem. Singaporeans, with their high incomes, demand more services in education, health care and recreation, and the supply of professionals are largely met by immigrants. At the same time, these wealthier Singaporeans also demand

services for the low-skill jobs they themselves once did. In this regard, immigrants are welcome. Though the wage rate in Singapore moves upward, the availability of immigrant labor from low-income neighboring countries do help keep wage rates competitively low, keeping the issue of illegal immigration open to public debate. Regionalization of the economies with intra-regional free movement of labor with work permits merits a careful review.

## 10. Kingdom of Thailand

His Majesty the King, presides over the Buddhist kingdom of Thailand in Southeast Asia, known as Siam until 1939. The year 1238 is noted as the traditional founding date. Ayudhaya was the ancient capital of Thailand. In the early years, the kingdom was influenced by all religions in South Asia, especially Hinduism and Buddhism. Beginning from the Sukhothai period, Buddhism became the dominant religion when the King of Siam elected to accept the faith. Buddhism is now the official religion of the kingdom. During the 16th century, Moslems from India came to Thailand.

It is important to note that Thailand never came under the colonial rule of any European power, though the British, French and Dutch successfully established their respective imperial rules in most of Southeast and South Asia. In 1932, a glorious revolution in Thailand instituted the constitutional monarchy. His Majesty the King of Siam continues to command the loyalty of the people of Thailand. Indeed, his high office is the supreme pedestal of sovereign authority of the kingdom. During World War II, Thailand was an ally of Japan but played a limited offensive role in the war, upholding its critical position of alliance. In the post-WWII era, Thailand became an ally of the free world led by the USA.

In a land area of 514,000 sq. km. with a population of 65,068,149 (2007 estimate), Thailand touches the Gulf of Thailand and the Andaman Sea, sharing borders with Myanmar in the northwest, Malaysia in the south, and Cambodia and Laos in the east. The country has a rich endowment of natural resources including tin, rubber, natural gas, tungsten, tantalum, lead, gypsum, lignite, fluorite and fish.

The ethnicity of the kingdom is predominantly Thai, approximately 75 percent. The Chinese and others make up the rest. According to the 2000 census, Buddhism is the dominant religion, nearly 95 percent; the rest includes Moslems (4.6 percent) and Christians (0.7 percent). Thai is the official language; English is a second language, especially for the elite.

Thailand is a constitutional monarchy, and the monarchy is hereditary. Its pluralistic democratic form of government is based on universal suffrage at 18 years of age. Suffrage is compulsory as in Singapore. His Majesty King Phumiphon, the King of Siam, is the chief of the state. The King's birthday, December 5, 1927, is celebrated as a national holiday. The military came to control the government and on October 11, 1997, the King signed the amended Constitution formally authorizing their power. A state of emergency was proclaimed on September 19, 2006. For specific charges against the-then Prime Minister, the elected government was dissolved. A military authority, with the blessings of the King, took over the government. They appointed a National Assembly with 250 members to act as the unicameral legislature. Of course, their proclaimed

agenda is for a return to a popularly elected democratic government, as per Constitution, by the end of 2007. Indeed, an election has been held and a civilian government has been restored.

The Prime Minister, appointed by the King, is the head of the government and is the leader of the majority party or coalition of parties, enjoying the confidence of the bicameral National Assembly (Rathasapha). The Senate (Wuthisapha) consists of 200 seats, members elected directly by popular votes for six-year terms. The House of Representatives (Sapha Phuthaen Ratsadon) has 500 members, elected directly by popular vote for four-year terms. The Supreme Court of Thailand (Sandika), with judges appointed by the King, leads the judicial branch of the government. Bangkok is the capital city with the seventy-six provinces as the country's administrative divisions.

The Thai economy is a capitalist free market economy, committed to an open economic policy. Japan has, of course, been one of Thailand's leading economic partners. The Thai economic policy has been pro-investment and pro-growth, but the Asian Financial Crisis of 1997-1998 had serious adverse impacts on the Thai economy. The inflows of foreign investments, direct, joint ventures and loans, in many and varied forms, to Thailand have been notable. Over-investment resulting from irrational exuberance could certainly be contained by proper monetary-fiscal actions. A program coordinating the micro-and-macroeconomic policy measures failed to come soon enough. Thailand seemed to have expected much support from the IMF and WB. However, Thailand came out of the crisis and is back on a rational economic track. Prior to the crisis, Thailand set a model with its average annual growth rate of 8-plus percent for 1992-1996. The negative rates of growth of -0.4 and -3.0 in 1996 and 1997 respectively, are on record. Following the recovery from the crisis, the average annual rate of growth for 2003-04 reached 7.5 percent. Recently however, the Thai economy suffered from the damages of the Tsunami in December 2004. The governmental crisis in 2006 and consequent military coups also left its critical impact on the economic situation.

Thai industries include textiles and garments, agricultural processing, cement, light manufacturing including jewelry and, electric appliances, computers and parts, integrated circuits, plastics, automobiles and automotive parts. Thailand is world's second largest tungsten producer and third-largest tin producer. The infrastructure of the Thai economy has been highly rated. Based on per capita income, Thailand ranks behind Japan, Chinese Taipei, Korea, Singapore and Malaysia.

Thailand is a member of most major international organizations. A founding member of ASEAN and a member of APEC, Thailand plays a constructive role in facilitating Asian regional economic cooperation. A member of the 3+5 model, now the 4+ 10 model, Thailand has independently led trade agreements with economies of South Asia inclusive of substantive initiatives for economic cooperation with India.

A religious-cum-cultural bond between Thailand and India warrants mention. Foreign scholars researching on the Thai culture marvel at its many temples and places of worship which relate to Hinduism. Hindu scriptures, the Ramayana and the Mahabharata, have lent much inspiration to the Thai life style, as it did in Indonesia.

## 11. Brunei Darussalam

Brunei Darussalam is a sovereign nation state economy in Southeast Asia with a land area of 5,770 sq. km. and a population of 374,577 (2007 estimate). The China Sea separates this island country from continental Asia. Brunei is surrounded by Malaysia, an enclave of Malaysia, as it were. Between the 15th and 17th centuries, the Sultanate of Brunei extended their rule to parts of the Philippines and Indonesia. Expansionism, however, ceased to be sustainable. The dynastic rule continued for over six centuries, but successions became the source for many internal confrontations. In 1888, Brunei became a British protectorate and remained so for nearly a century.

Brunei became independent of British rule on January 1, 1984 but independence was not formally granted until February 23, 1984. February 23 is observed as National Day. The Sultanate is hereditary and the Sultan is concurrently the chief of the state and the head of the government. He appoints members of the Council of Cabinet Ministers, and presides over its sessions, dealing with executive matters. A Religious Council, with members appointed by the Sultan, advises on religious matters. The Constitution provides for a Privy Council to deal with constitutional matters, and a Council of Succession to decide disputes regarding succession to the throne. Members of both bodies are appointed by the Sultan. Recent efforts to elect members to the Council by popular elections have remained unsuccessful. The absence of organized political parties does not help the democratic movement. Several political parties, each small and of limited appeal, were deregistered in 2007. The Sultan commands the confidence of his people and presides over the Sultanate with authority. The Legislative Council with 29 members appointed by the Sultan has been in existence since September 2, 2005. The Supreme Court, with Chief Justice and judges appointed by the Sultan to serve for three-year terms, constitutes the judicial branch. The Shariah courts hear cases dealing with Islamic laws. Bandar Seri Begawan is the capital city and the country has four administrative divisions.

Moslem is Brunei's official religion. Buddhism and Christianity, subscribed to by some twenty-five percent of the people, are noted. More than two-thirds of the people are Malay by ethnic affiliation. Malay is the official language.

Brunei is a relatively rich economy. Its per capita income of USD 25,600 (2005 estimate) is competitively high behind Japan and Singapore. The rate of inflation of 1.1 percent (2005) poses no problem. The Bruneians enjoy a descent standard of living. Petroleum, natural gas and timber are its natural resources. Indeed, crude oil and natural gas production comprise over 90 percent of its exports, and more than 50 percent of its GDP. It follows that its industries relate to its endowment of natural resources. Given that its population base is well less than a million, Brunei's labor force, estimated at 180,400 in 2006, is small. It is critically important to note that Brunei is dependent on the rest of the world to import food and all other necessities of life, but its export revenues sufficiently match its import demands. Brunei's exports of petroleum and natural gas find markets in Japan, Indonesia, Korea, the USA and Australia, while Brunei imports food, machinery and equipment from Singapore, Malaysia, Japan, the U.K., Thailand and Korea.

The industrialization of Brunei is in progress. While extensive construction works should be taken note of, the growth rate of industrial production in 2005 estimated at 1.8 percent, reveals a critically important economic point, as one compares Brunei with the newly industrialized economies in Asia: the average annual rate of growth of Asia's

newly industrializing / industrialized economies range from 6-9 percent for the past quarter of a century. Brunei's estimated real growth rate in 2005 is reported to be just 0.4 percent. The Sultan of Brunei seems to have an economic policy in place designed to moderate the pace of the economy's industrial growth. Industrialization at an accelerated rate is known to bring in its wake many problems which may challenge the value system and lifestyle of the Bruneians.

Brunei is a member of many major international organizations. Brunei became the 6th member of ASEAN in 1985 and signed the Manila Declaration on December 15, 1987, jointly with the five original ASEAN members, for a commitment to strengthen intra-ASEAN economic cooperation (Dutta 1999 p. 236). Now, a member of the ASEAN-10 Brunei has been an active participant in the emerging movement for Asian economic cooperation with Asian money.

## 12. Socialist Republic of Vietnam

The liquidation of the French Empire in Vietnam came six decades after Vietnam became a part of French Indochina in 1887. After WWII, Vietnam declared independence on September 2, 1945. The Vietnamese observe September 2 as Independence Day. However, France continued to claim its authority over Vietnam until they were defeated in 1954 by the Vietnamese Communist Party, led by Comrade Ho Chi Minh. The Geneva Accords of the same year divided the country into two parts, the North under the Communist rule and the South ruled by non-communists. In 1975, the North Vietnamese military overran the South and reunited Vietnam under Communist Party rule. In an attempt to contain communism, American military involvement in Vietnam War has been a familiar story. The helicopter evacuation of Americans from the roof of the American diplomatic mission in Saigon in South Vietnam gave the world the photo finish of the War. Peace has returned to Vietnam and both the French and the Americans have returned to the country, of course, with a different mission. They have joined the rest of the world in a joint venture to help the Vietnamese people in the challenging task of rebuilding their economy. Much has been written about the Vietnam War, much more remains to be written about the land and the people of Vietnam.

In Southeast Asia, Vietnam is a country with 85,262,356 people in a land area of 329,560 sq. km. surrounded by the Gulf of Tonkin, the Gulf of Thailand and the South China Sea. It shares borders with China, Laos and Cambodia. Its endowment of natural resources include phosphates, coal, manganese, bauxite, chromate, oil and gas deposits, and forests.

The Kinh (Viet) is the dominant ethnic group of more than 86 percent of the population. Based on the 1999 census, as many as 81 percent of the Vietnamese record no religious affiliation, but the affiliation to communism under the rule of the Vietnamese Communist Party can offer some explanation. The official language is Vietnamese. English, as a language of international trade and communications, is becoming increasingly popular. The linguistic and ethnic homogeneity of Vietnam is to be noted.

Vietnam is a Socialist Republic ruled by the Vietnamese Communist Party. The Constitution, approved on April 15, 1992, grants universal franchise at 18 years of age, and does not permit an opposition party. Hanoi is the capital city. The administrative

divisions consist of 59 provinces and five municipalities (Can Tho, Da Nang, Hai Phong, Ha Noi and Ho Chi Minh).

The President, elected by the National Assembly from among its members for five-year terms is the chief of the state. He is joined by a Vice President. The Prime Minister, appointed by the President from amongst the members of the National Assembly, is the head of the government. The Prime Minister appoints two Deputy Prime Ministers. The Cabinet is appointed by the President on the advice of the Prime Minister. As all appointments are subject to the approval of the National Assembly, they must enjoy its confidence. The National Assembly with 498 seats is the unicameral legislative branch. Members are elected by popular votes and serve for five-year terms. The judiciary is headed by the Supreme People's Court. The Chief Justice is elected by the National Assembly on the recommendation of the President and serves for a five-year term.

The economic reconstruction of Vietnam has been a difficult task as the leadership faced major problems. During the Vietnam War, the Vietnamese became victims of aerial invasions. The destructive situation was aggravated by the introduction of chemical elements like agent orange by the American military. A large number of victims received permanent mental and physical injuries and ceased to be productive members of the work force. The infrastructure suffered extensive destruction by the random US bombing raids. Productivity became critically marginal. Inflation at the 3-digit rate followed and needed to be managed; no inflows of investments were expected to come from foreign countries until the rate of inflation was substantively contained. Vietnam's pre-industrialized, agriculture-dominant economy urgently needed investment to spur industrialization for its economic game plan.

The Communist Party used an indigenous mechanism to defeat the enemy in the war and they applied the same tactics to defeat inflation. During the war, they asked the farmers, the majority of the population, to produce whatever they could from their farms and fishing to support their families. They were persuaded to share a part of their product to support the men and women in uniform fighting the imperialist powers. The same mode of operation was used to combat inflation; the farmers were again called upon to support themselves with their products, and share a part of it with the government to rebuild the economy. The people were convinced that Vietnam's industrialization would bring economic affluence to all of them, if and only if the high rate of inflation could be contained. The people responded to the appeal. The rate of inflation soon came down and is estimated to be 7.5 percent in 2006.

To complement the fight against inflation, the Vietnamese leadership initiated a new economic reform plan. The textbook version of the Communist Economic Plan, based on the concept of society's ownership of all means of production and all production activities, owned and managed by the government, warranted a critical review. In the 1970s, the Chinese Communist Party introduced the socialist market economy. Vietnam moved to adopt economic reforms based on this new economic plan and modified it by permitting free flow of trade and investment to become the core of the new platform for industrialization. Investments from around the world came to explore the economic potentials in Vietnam's unexplored resources, mineral, off-shore reserves of petroleum and gas, forest and marine life. Increases in the productivity of labor and earnings followed, contributing to the economy's competitively high rate of growth of GDP.

Vietnam's average annual rate of growth was 9 percent for 1993-1997 and 6.8 percent for 1997-2004. The targeted average annual rate of growth for the next five years is 7.5 – 8 percent. Vietnam's industries include food processing, garments, shoes, machine-building, mining, coal, steel, cement, chemical fertilizer, glass, oil and paper. The rate of growth of industrial production is estimated to be 11.3 percent in 2006.

Vietnam is a member of many major international organizations. On July 28, 1995, Vietnam became a member of ASEAN. Now a member of ASEAN 10, Vietnam has been actively engaged in Asian economic cooperation. It may be added that during the years of Vietnam War, Vietnam's diplomatic and economic engagements with India remained in operation.

### 13. Kingdom of Cambodia

Cambodia, with an estimated population of 13,995,904 ( July 2007) in a land area of 181,040 sq. km., is located in Southeast Asia, with access to the Gulf of Thailand, but very nearly landlocked by Thailand, Vietnam and Laos.

Descendants of the Angkor Empire, a major power in the region during the 10th through 13th centuries, Cambodians are in general Khmers. After years of internal dissention and conflicts in arms, Cambodia is now a small sovereign nation state. In 1863, the King chose to become a French protectorate, and the country became a constituent part of French Indochina in 1887. During WWII, Japan occupied much of the region. After the fall of the Japanese, Cambodia gained independence from France on November 15, 1953. Cambodians observe the date as Independence Day. In the 1970s, the country experienced two upheavals, first the Communist Khmer Rouge in April 1975, and then in December 1978, the Vietnamese invasion and their subsequent 10-year occupation. Years of civil war are on record. The second UN-sponsored elections in 1998 brought some stability, though the first UN-sponsored election in 1993 failed to work. The Cambodians continue to struggle for their economic future.

Ninety percent of Cambodians are of Khmer ethnicity. Theravada Buddhism is the religion of 95 percent of the population. Khmer, the language of 95 percent of the people, is the official language, though French and English are in use. In this land of ethnic, religious and linguistic homogeneity, the French, Japanese and Vietnamese, in their successive imperial ventures, stirred up difficult political situations for years in Cambodia.

Cambodia's multiparty democracy based on universal suffrage at 18 years of age draws its sanction from the Constitution, promulgated on September 21, 1993. Phnom Penh is the capital city. Its administrative divisions consist of 20 provinces and four municipalities (Keb, Pailin, Phnum Penh and Preah Seihanu). Cambodia is a constitutional monarchy. The King is the chief of state and the office is not hereditary. The Monarch is chosen by a Royal Throne Council. The Prime Minister, named by the Chairman of the Legislative Council and appointed by the King, is the head of the government. Following legislative elections, the leader of the majority party or majority coalition is named Prime Minister. The King appoints members of the Council of Ministers on the advice of the Prime Minister. The bicameral legislature has two chambers, the National Assembly and the Senate. The National Assembly has 123 seats,

its members elected by popular vote for five-year terms. The Senate has 61 seats, 2 appointed by the King, 2 elected by the National Assembly, and the remaining 57 are elected by Parliamentarians and Commune Councils, members serving for five-year terms. The judiciary is led by the Supreme Council of the Magistracy. In addition, there is a Supreme Court and lower courts.

Three decades of civil unrest have left its mark on the economy of Cambodia, but since 1999, the economy is on the move. Its industries include tourism, textiles and garments, wood and wood products, and gem mining. Famous historic buildings attract tourists, and the active promotion of tourism has resulted in much progress with more than one million foreign visitors a year since 2005. Textiles are one of Cambodia's principal industries; the USA and Cambodia have signed a Bilateral Textile Agreement, but strong competition from several neighboring countries, including China and India, is all too real. Foreign investors are exploring possibilities of investment in gem mining. From 2001–2004, Cambodia's GDP grew at an annual average rate of 6.4 percent. To further its economic development, Cambodia is negotiating for special financial accommodations with the IMF and the WB.

Cambodia is a member of major international organizations. Now a member of the ASEAN-10, the country is a participant in the 4 +10 model and stands to benefit from intra-Asian economic cooperation.

#### 14. Lao People's Democratic Republic (Laos)

Laos is a land-locked country in Southeast Asia sharing borders with China, Myanmar, Cambodia, Thailand and Vietnam. In a land area of 236,800 sq. km., Laos is home to 6,521,998 Laotians (2007 estimate).

Laos traces its roots to the Lao kingdom of the 14th century. Thailand imposed its control on Laos in the late 18th century, only to be replaced by the French, when Laos became part of French Indochina. Under historical circumstances, the French left shortly after WWII. In 1975, Comrade Pathet Lao, leader of the Communist Party, assumed control of the country and established a socialist regime.

Its natural resources include gypsum, tin, gold and gemstones. Buddhism, the faith of the two-thirds of its population, is the dominant religion, while a third of the population are Animists. Lao is the official language, while French, English and various ethnic languages are spoken. Ethnic groups include Lao Loum (lowland) and Lao Theung (upland).

Laos is a Communist state with the Lao People's Revolutionary Party ("LPRP") leading the government. The Constitution promulgated on August 14, 1991 provides for universal suffrage at 18 years of age, with opposition parties proscribed. Independence Day is observed on July 19, 1949, the day French imperial rule ended. December 2, 1975 is Republic Day and observed as a national holiday. Let us note that in 1975, the Communist Party assumed power, ending centuries of imperial rule, first by native kings, and then by foreign powers, Thai and French.

The President elected by the National Assembly for a five year term is the chief of the state. The President is assisted by a Vice President, elected by the National Assembly for a five-year term. The Prime Minister, nominated by the President, is elected by the

National Assembly. Four Deputy Prime Ministers and other Cabinet Ministers are appointed by the President and approved by the National Assembly. The unicameral legislature is the National Assembly with 115 seats, its members elected by popular vote for five-year terms. Even though opposition parties are proscribed, independent candidates can run and win seats in the Assembly. Indeed, there are currently 2 independent Assembly members.

Although a communist state with a communist regime, the economic reform agenda with a focus on decentralization and private ownership became functional in 1986 when liberalization of the orthodox command system of communist economic plans became fashionable in the 1980s. In late 2004, Laos gained Normal Trade Relations status with the USA. A value-added tax system (“VAT”), to begin in 2008, is expected to add to the country’s fiscal balance. Agriculture, making up some 43 percent of GDP in 2006, warrants attention. The industrialization of the Lao economy is a target that remains to be achieved. From a low base, the growth in industrial production in 2006 is estimated to be 15.7 percent. Similarly, the annual average rate of growth of GDP for 1988-2006 was a relatively high rate of 6 percent. Infrastructure and power supply continue to be a problem. It remains to be seen as to whether Laos, a landlocked country with a relatively small population base of 6.5 million people under the Communist rule of the LPRP can successfully invite sufficient inflows of foreign investments.

Laos is a member of most international organizations. Laos became a member of ASEAN in 1997 and as such is a member of the 4+10 model, in support of Asian continental economic regionalization.

## 15. Union of Myanmar

Historically, Myanmar, formerly known as Burma, was a constituent part of the British imperial hegemony in the Indian subcontinent. Following the British conquest, Myanmar was under British rule from 1824-1886. The British then integrated Myanmar into its sub-continental empire, administratively making it a province of India. In 1937, it became a separate self-governing colony, a member of the British Commonwealth. Myanmar gained its independence on January 4, 1948. January 4 is Independence Day and Myanmar observes it as a national holiday. Several attempts to adopt a constitution have been unsuccessful.

At present, Myanmar is under military rule. The military junta rules the government and is in total control of the government. Rangoon (Yangon) is the capital. Its administrative units consist of 7 divisions and 7 states. The Chairman of the State Peace and Development Council (“SPDC”) is the chief of state and the Prime Minister is the head of government. The unicameral legislature is the People’s Assembly (Pyithu Hluttaw), consisting of 485 seats. Its members are elected by popular vote with universal suffrage with 18 years of age.

From 1962-1988, General Ne Win dominated the political stage, designating himself President for a period. In 1990, the National League for Democracy (“NLD”) won a landslide victory. The ruling military junta refused to accept the election results and declined to hand over power. The leader of the NLD, the Nobel Laureate for Peace, Aung San Suu Kyi became a target of the Military rulers, and as of this writing, she

continues to be under some form of incarceration, house arrest or prison. As Myanmar is the name promoted by the military regime and not approved by a Burmese legislature, it is not recognized by the US government to be the name of the country.

Myanmar, a country of 678,500 sq. km and a population of 47,373,958 (2007 estimate) is in a strategic location in Southeast Asia, sharing borders with China, India, Bangladesh, Laos and Thailand. The Bay of Bengal, Andaman Sea and Gulf of Thailand wash its shores.

The economy of Myanmar is in a state of crisis. The People's participation is lacking and economic dynamism has failed to work out. In most other Asian economies, the story of success has been robust; the Asian miracle is the story for the world at large. Burma is a resource-rich country, especially with oil, gas, precious metals and ores, and timber. However, its accomplishment has been notably poor. At present, as much as 50 percent of its GDP comes from the agricultural sector. Industrialization by way of massive inflows of foreign investments has been Asia's economic game plan. Foreign investors have earned profits with well-specified provisions for repatriation of profit home. The political regime of a military junta alone is responsible for serious discouragement to foreign investors. Possible savings from the expatriate Myanmar community also seem to have shied away. Trade relations with other countries also suffer from the absence of a constitutional political regime in Myanmar.

Myanmar is a member of the ASEAN-10 and also of most international organizations. Even so, there is little love for Myanmar's military regime in most countries, be it capitalist free market or communist socialist market. The military junta has not offered any economic plan with micro and macroeconomic guidelines which are transparent and subject to judicial review.

## 16. Chinese Taipei (Taiwan)

With a population of 22,858,872 (July 2007 estimate) in a land area of 35,980 sq. km, Chinese Taipei, popularly referred to as Taiwan, is located on the Pacific coast of Central Asia encircled by the East China, Philippine and South China Seas, and the Taiwan Strait, which separates the island from mainland China. The island is resource-poor, but has proven to be rich in human capital. The island's economy is booming following a resourceful reconciliation of challenging political crisis

Following the Sino-Japanese War in 1895, China ceded Taiwan to Japan, then known as Formosa. Japanese occupation continued until Japan's defeat and surrender in WWII, when Taiwan was brought back under Chinese sovereignty. History continued to unfold. In the Mainland, following the Chinese Revolution led by Sun Yat-sen in 1911, dynastic rule in China was replaced by the Nationalist government with popular support. After Sun's death, Civil War broke out between the Nationalists and Communist parties. In 1949, the Communists emerged victorious and established the People's Republic of China. Some two million Nationalists, led by the ousted President Chiang Kai-Shek, retreated to the island of Taiwan and proclaimed Taiwan as the sovereign nation state of China with its capital in Taipei. The PRC concurrently claimed to be the only representative of China and considered Taiwan to be a renegade province.

The USA led the free world to turn its back to communist-controlled China, and proclaimed that China does not exist beyond Taiwan. The PRC and the USA finally came to sign the Shanghai Communiqué in 1972 with commitment to ONE CHINA principle; the USA no longer recognized Taiwan to be China and severed official diplomatic relations with Taiwan. However, recognition under a non-official provision for commercial and cultural relations with the peoples of the two economies continues through the Taipei Economic and Cultural Representative Office (“TECRO”) with offices in New York City and Washington DC. Ethnic Chinese-Taiwanese constitute 84 percent of the population; the true Aboriginal Taiwanese are now a minority. Mandarin Chinese is the official language. Buddhism and Taoism are the religion of 93 percent of the Taiwanese.

Chinese Taipei is a pluralistic democracy, with universal franchise at 20 years of age. Administrative divisions include the main island and several offshore small islands, divided into 18 counties, five municipalities and two special municipalities. October 10, 1911, the Anniversary of the Chinese Revolution led by Sun Yat-Sen is observed as Republic Day. It is, of course, a national holiday.

The President, elected by popular vote for four-year terms with a limit of two terms, is the chief of state. The Vice President, on a joint ticket with the President, is so elected, and serves to assist the President. The Premier is the head of the government and is the President of the Executive Yuan (Council of Ministers or Cabinet) with the Vice Premier serving as its Vice President. The President appoints the Premier, enjoying the confidence of the Legislative Yuan. He also appoints the Vice Premier and members of the Executive Yuan on the recommendation of the Premier.

The Legislative Yuan constitutes the unicameral legislative branch. It has 225 seats, 168 elected by popular votes, 41 elected by proportional votes, 8 elected from the overseas Chinese constituencies and 8 elected by the Aboriginal population. Members serve for three-year terms. Failed constitutional amendments reducing the number of seats from 225 to 113 and abolishing the National Assembly should be noted. The judiciary is headed by the Judicial Yuan with Justices appointed by the President with consent of the Legislative Yuan.

The Economic dynamism of Chinese Taipei warrants careful exposition (Dutta 2006). Based on its sectoral shares of GDP, and average per capita income, Chinese Taipei has graduated to a mature industrialized country while remaining a savings-surplus economy. Its rate of growth of GDP of about 4 percent is the norm for an economy at this stage of industrial advancement. Economic policy has been well managed and the plague of inflation has never been a serious challenge. The rate of growth of GDP has been “softened” at the proper time by properly coordinated management of monetary and fiscal policies by its government and the Central Bank. It is no wonder that Chinese Taipei was not impacted by the Asian Financial Crisis of 1997-1998.

Let us return to the days of relocation of the people who left China after the Civil War. They were Nationalists, richly oriented to free market capitalism who possessed much to lose to the communist philosophy of the nationalization of all means of production. They brought with them (a) entrepreneurial leadership, (b) liquid capital, mostly in the form of gold, a familiar international currency, and (c) their global business contacts. They initiated new businesses with their available stock of capital funds,

advising their business partners in the rest of the world of their new base in Taipei. They did not need foreign investment nor did they have to borrow from richer countries. Indeed, they did not welcome any. Taipei has paid for all the transitional financial accommodations which were necessary to build the basic infrastructure of its robust new economy (Kuo 1983).

Taiwanese exports consist mainly of intermediate products, components, to be used by industries in other countries as they manufacture final goods and services. Thus, there is a global dependence on supplies from the island economy because the Taiwanese business leadership makes sure that their products are cost and quality competitive. In 2003, as many as 27 such products the world depended on originated from Taiwan. For 18 of these products, Taiwan was the world's largest supplier, for 5 items the world's second largest supplier, and for 4 others the third largest supplier. A review shows that the global market share for its exports has been relatively stable over time. Taiwan has established a strong financial market, with banks and insurance institutions to facilitate its international trade; the Taiwanese exporters are able to receive payments for their exports without time lag. Recently, Taiwan is progressing toward manufacturing precision electronic equipments, a step beyond components.

For this economic success, Taiwan followed a policy of integrated industrialization (Dutta 2006). This refers to the fact that the island economy is in extensive economic engagements with both the PRC and the USA. Regardless of the disputes between them, the PRC welcomed investment from savings-rich Taiwan and Taiwan with its stage of industrialization and consequent high wage rate, looked to invest in the PRC with its abundance of relatively low wage labor. China also has huge endowments of natural resources yet to be exploited, while Taiwan is resource-scarce. China does not recognize investments from Chinese Taipei to be from a foreign source, but Taiwanese investors are allowed to locate their operations in the special economic zones, with the same provisions for necessary infrastructure as are available to other foreign investors. Taiwanese investors are also allowed to export their products, produced in PRC, back to Taipei. Taipei re-exports much of it to Hong Kong as it has a free trade provision with Hong Kong for the present. In addition, Taipei has an economic engagement with the USA.

With the USA, even when the diplomatic relationship was discontinued as a result of the One China Theory, Taiwan was accorded a special relationship with the USA and granted preferential access to the US market. No formal US-Taiwan free trade agreement has, of course, been possible. The USA continues to be Taiwan's largest export market. Hong Kong is the second largest export market, though under special arrangement for a limited time period. Taiwan's manufactures in PRC have export markets around the world, even when the PRC has successfully limited its diplomatic recognition in the world. As of June 2007, only twenty-four small countries recognize Taiwan as a sovereign nation state economy. The others have elected to establish diplomatic and economic relations with the PRC until the dispute is resolved. Let us note that the membership or participation of Taiwan in international institutions has generally been limited to economic and artistic organizations including the ADB, APEC, the WTO and the Oscars. Taiwan is an observer of WHO. The thesis of integrated industrialization has been operationally successful. The process also has helped optimization of economic gains of both the PRC and the USA, though the world will benefit from normalized

relations between China and Taiwan. As a defense ally of Taiwan, the USA continues to maintain a naval fleet in the Taiwan Strait.

## 17. Mongolia

Mongolia, a landlocked country in Central Asia between China and Russia, is a vast steppe, desert plains of 1,564,116 sq. km. with a population 2,951,786 (2007 estimate). Formerly known as Outer Mongolia, this arid land of extreme desert climate is blessed with generous untapped endowments of natural resources, including oil, coal, copper, molybdenum, tungsten, phosphates, tin, nickel, zinc, fluorspar, gold, silver and iron, and has attracted global investors to exploit them. The process of making profits has initiated an accelerated rate growth process for the Mongolian economy.

Long gone are the days of the Mongol Empire, led by the historic figure, Chinggis Khan in the 13th century. Mongolia eventually came under Chinese control. On July 11, 1921, Mongolia became a sovereign nation state independent of China. Ulaanbaator is the capital city. Its administrative divisions consist of twenty-one provinces and a municipality, the capital city. July 11, observed as Independence Day, is a national holiday.

As of 2000, Mongols, mostly Khalkha, constitute 95 percent of the population, pointing to ethnic homogeneity. Lamaist Buddhism is the religion of 50 percent of the people, with some Christians and Muslims. As many as 40 percent of Mongolians do not report any religion (2004). Khalkha Mongol is the language of the 90 percent of the people, while Russian and Turkic are spoken by some.

Under the Constitution of Mongolia, signed on February 12, 1992, the country has a parliamentary form of government in a multi-party democracy, based on universal franchise at 18 years of age. The President, nominated by political parties represented in the Parliament (State Great Hural), is elected by popular vote for a four-year term, with a two term limit. The Prime Minister is the head of the government and is joined by a Deputy Prime Minister. Following legislative election, the leader of the majority party or of majority coalition, is elected Prime Minister. The Prime Minister appoints the members of the Cabinet in consultation with the President, subject to the approval of the Parliament. The unicameral legislature, the State Great Hural, has 76 seats, with members elected by popular votes to serve four-year terms. The Supreme Court, with judges nominated by the General Council of Courts and approved by the President, heads the judiciary.

Traditionally, Mongolia has been an agricultural country with farming and herding livestock. As of 2005, 22 percent of its GDP continues to come from the agricultural sector, with shares from industrial and service sectors at 28 and 50 percent, respectively. With its per capita GDP in 2005 at USD 483 (\$1,875 PPP), the Mongolian economy is one of low income. Inflation, estimated to be at 9.5 percent in 2005, continues to be a problem. Mongolia has invited foreign investments toward exploring its mineral resources. Indeed, its economic potential is enormous; however, the transition period offers many challenges. The growth rate rose to 10.6 percent in 2004, but declined in subsequent years. An accelerated rate of growth without proper macroeconomic policies, defined by monetary and fiscal parameters, exposes the

economy to threats of inflation. For a small economy like Mongolia, successfully managing inflows of massive foreign investments remains a difficult task. The economy remains dependent on both Russia and China, its two neighbors of immense magnitude. Russia is the source of petroleum and electric power while China receives a great deal of its mineral exports in exchange for liquid funds. Russia has made generous settlements for its dues from Mongolia. Both Russia and China have adopted policies of economic cooperation with Mongolia based on its economic potential. Mongolia's industrial production was estimated to increase by 3 percent in 2006, but its full potential has not yet been tapped.

Mongolia is a member of the major international organizations. Its belonging to the map of Asia is not to be questioned. Its membership of the Asian economy with Asian money merits attention.

## 18. Islamic Republic of Pakistan

The Islamic Republic of Pakistan was born out of the partitioning of the Indian subcontinent by the British imperial regime in 1947. The British created the Islamic Republic by uniting the Moslem majority regions of the subcontinent, with one part to the west of India, West Pakistan, and another to India's east, East Pakistan. Mohammed Ali Jinnah has earned his place in history as the founding father of Pakistan. The Islamic religion failed to be a bond of unity between the two parts of Pakistan, separated by over 1,000 miles by Indian territory, and so Pakistan failed to continue as one integrated state as a result of geography. In 1971, East Pakistan became a sovereign nation state, Bangladesh. West Pakistan became Pakistan. The two sovereign nation state economies earned recognition from the rest of the world.

Three critical issues merit a close review. First, the peoples of the Indian subcontinent, independent of religion, share the cultural heritage on the Indus Valley civilization (Kenoyer 1998). The historic monument of Taj Mahal in India, an illustrious tribute to one Mogul emperor's spousal love, has become a symbol of universal love. The archeological discovery at Harappa Mahenjodaro in Pakistan is an eloquent testimony to the civilization of all the peoples of all religions who ever made the Indus Valley their home. The cultural bonds between the people of the Indian subcontinent defy religious differences. Second, over two hundred years of the British rule, the economic structure of the Indian subcontinent became ever more integrated as the economic and political priorities of the Empire determined the economic framework. Delhi, Bombay (Mumbai), Madras (Chennai), Calcutta (Kolkata) became principal centers of economic and administrative activities. Transportation, telecommunication and financial markets inclusive of banking were directed to meet the need of the larger Imperial economy. Following the partition of the subcontinent, India received a disproportionate share of the region, leaving Pakistan being at a relative disadvantage. Third and finally, Pakistan has a difficult relationship with both India, its confrontational neighbor, and the USA, its defense ally. The fact that India with its share of eight-tenths of South Asia's GDP from three-fourths of the region's land area, plus a much larger population base, make it the dominant neighbor and not entirely friendly, poses a serious challenge. Pakistan, with just one-tenth of South Asia's GDP, roughly a quarter of its

land area and a much smaller population base, can hardly compare. The economic engagement between the two neighbors is essentially nonexistent. The political relationship between India and Pakistan has been openly hostile, involving three major military confrontations since 1947. To add fuel to the fire, India sent its army to help Bangladesh in its war of liberation in 1971 from Pakistan. Both Pakistan and India are now nuclear powers and both are equally concerned with containing the destructive consequences.

In South Asia, Pakistan has been a defense ally of the USA, but failed to receive any military help in its war against Bangladesh, then East Pakistan. Pakistan has also not been able to persuade the USA for substantive military assistance for its high priority program to annex of the Moslem majority state of Kashmir in its immediate vicinity to Pakistan. The Hindu King of Kashmir had elected to accede to the Republic of India following the partition of the British India in 1947. Pakistan expected that the USA, the world's largest military power, would do more for Pakistan, its only defense ally in South Asia. India points to the fact that India is the second largest Moslem country in the world, next to Indonesia, and argues that Pakistan's claim to the Moslem-majority state of Kashmir merits little appreciation. The state of Kashmir in the Indian Republic is currently administered by a popularly elected government.

In its war against terrorism following the destruction of the Twin Towers by al-Qaeda jihadis on September 11, 2001, the USA and its ally, Pakistan, have taken opposing positions. The USA argues that Pakistan has not done enough to contain the Taliban movement and continues to allow its territory to be used for recruiting and training Islamic militants. Pakistan claims to have done as much as they could without destabilizing or further disrupting the domestic stability. Their military forces have made aggressive efforts in this regard; the remote frontiers of Pakistan are remote tribal areas and have historically been controlled by tribal chiefs, even during the British rule. Pakistan has sought their cooperation in containing terrorist activities and asserts that it has a limited ability to capture al-Qaeda leaders alleged to be in residence in the inaccessible mountain passes of Pakistan's Frontier Province. The historic record also points to the fact that Islamic jihadists have their roots in the campaign for organizing Freedom Fighters (Mujahedins), once supported and funded by the USA, when the agenda was the liberation of Afghanistan from the Soviet occupation. Once the Russians left, the freedom fighters were left alone with no mission or objective. Their only option was to turn to al-Qaeda leadership, then in Afghanistan, for financial support. Pakistan became a spectator.

On the economic front, Pakistan did not receive the massive inflows of investment from the USA and other free world countries. Rather, India, a market of 1.2 billion people, with a relatively far larger endowment of natural resources, became a preferred destination for foreign investors. Once in India, their journey ends as they soon realize the daunting odds of doing business across the India-Pakistan borders. Understandably, Pakistan expected more from their American allies.

Pakistan with its population of 164,741,924 (2007 estimate) in a land area of 803,940 sq. km. is located in South Asia between India and Afghanistan, with access to the Arabian Sea via the port city of Karachi. To its north, Pakistan's two neighbors are Iran and China. The endowment of natural resources, albeit limited, include natural gas

reserves, petroleum, poor quality coal, plus some iron ore, copper, limestone and salt. Pakistan's industrial activities have been directed principally to its defense priorities.

The ethnic groups of Pakistanis include Punjabi, Sindhi, Psthun (Pathan), and Baloch. Islam is the faith of 97 percent of the people (77 percent Sunni and 20 percent Shia), with Hindus and Christians rounding out the remaining 3 percent of its population. Linguistic diversity is notable: Punjabi, Sindhi, Siraiki and Urdu are the major languages, but English continues to be commonly used by the elite.

Islamabad is the capital city. The country's administrative divisions include four provinces, one territory of Federally Administered Tribal Areas, and one special territory of the capital city.

August 14, 1947, the day Pakistan became a sovereign nation state following the partition of the Indian subcontinent, is observed as the Independence Day. March 23, 1956, Republic Day, is observed as a national holiday. Pakistan adopted its Constitution on April 12, 1973, with periodic suspensions and amendments over the years. In the 60 years since its founding, Pakistan has been exposed to much political instability. Successive elected governments have been overthrown by military coups led by General Mohammad Ayub Khan (1958-69), General Yahya Khan (1969-71) and General Mohammad Zia ul-Haq (1977-83). The past two popularly elected Prime Ministers are in exile. Following the military take-over on October 12, 1999, Chief of Army and Chairman of the Joint Chief of Staff Committee, General Pervez Musharraf, assumed the office of the chief of state, appointing a Prime Minister as head of government.

Political instability led by military coups has had negative impacts on Pakistan's economic growth. It discouraged economic engagements with free market capitalist countries whose commitment to the rule of law in a democratic framework of government has been pronounced. The participation of the people of Pakistan is a necessary and sufficient condition for Pakistan's economic advancement, but the fundamental rights of the people to vote for their government remains suspended; true, the Supreme Court of Pakistan validated the military coup led by General Musharraf in October 1999. Transparency of the law, based on a constitution, is the core of democracy. Popularly elected representatives must draw upon the sanction of the people for the governmental authority they exercise. Pakistan's Constitution remains suspended, but the restoration of the elected government, based one person, one vote, with universal suffrage at 18 years of age, of course, remains the commitment. It is important to note that on July 20, 2007, the Supreme Court of Pakistan unanimously invalidated the suspension of the Chief Justice of Pakistan's Supreme Court by an executive decree by the presiding military authority.

Following the recent general election, Pakistan has restored its civilian government, led by an anti-Musharraf coalition. On Tuesday, March 25, 2008, Yousaf Raza Gillani of the Pakistan Peoples Party, which has captured a majority of seats in the parliamentary election, has been sworn as the Prime Minister of Pakistan. Judicial reforms continue to be a challenge. In addition the ruling party, without an absolute majority in the parliament, continues to be dependent on the support of other political parties, especially the faction of the Pakistan Moslem League which opposes President Musharraf. The continued state of political instability remains a challenge. The Prime Minister, the leader of the majority party or majority coalition in the Parliament, appointed by the President, heads the government.

Under mounting political pressure, on August 18, 2008, President Musharraf, who came to power in a military coup in 1999, resigned. Under the Constitution, the next President will be elected by an electoral college of members of the national Parliament and provincial assemblies for a five-year term, and will be the chief of state. The bicameral legislature, Majlis-e-Shoora, has two chambers. The first is the Senate, with 100 seats, whose members are elected indirectly by provincial assemblies and representatives of the territories in the National Assembly. Their members serve six-year terms, one-half retiring every three years. The National Assembly has 342 seats, 272 by popular votes, 60 reserved for women and 10 for non-moslem Pakistanis. The members serve five-year tenures. The Supreme Court leads the judiciary, and its Justices are appointed by the President. The Federal Islamic, or Shari'a, Court is an integrated component of Pakistan's judicial system.

Pakistan's economy has missed the Asian economic miracle; it has not experienced a great leap forward in high-tech information technology. As discussed earlier, three factors contributing to the current economic situation of Pakistan: (a) political instability and military coups, (b) the confrontational relationship between India and Pakistan since the two countries gained independence from the British Empire in 1947 has resulted in inflows of foreign investments to India rather than to Pakistan, and (c) Pakistan's defense alliance with the USA has failed to produce the same economic miracles as it did in many other Asian economies under the US defense umbrella. Pakistan's average annual growth rate historically has been 5 percent, and moved up to 6-8 percent in 2004-2006. The national budget deficit, with national debt reaching nearly 55 percent of GDP, has been a challenge. The rate of inflation continues to be a threat. The economy is pre-industrialized, agriculture being dominant. As of 2006, its shares of GDP from the agricultural sector were estimated to be 22 percent and its share from the industrial sector estimated to be 26 percent. Its industries include textiles, food processing and pharmaceuticals. More than a million refugees from Afghanistan have added to Pakistan's economic pressure.

Pakistan is a member of all major international organizations. In 1985, Pakistan joined India, Bangladesh, Bhutan, Nepal, Sri Lanka and the Maldives to constitute the South Asian Association for Regional Cooperation with its secretariat at Katmandu, the capital city of Nepal. The leaders of SAARC member countries convinced themselves of the rational of regional economic integration since as non-Pacific countries, they were excluded from the APEC membership. By the 1980s, the progress of the European Union with intra-regional micro and macroeconomic parameters became obvious. ASEAN became a sub-regional economic group in Southeast Asia. In the South Pacific, the Australia and New Zealand Closer Economic Relations Act went into effect. Even South America has come together to form MERCOSUR. While successful economic regionalization has taken place around the world, SAARC has not yet achieved its agenda of South Asian Free Trade Area ("SAFTA") (Dutta 2007, 1999).

## 19. People's Republic of Bangladesh

In 1971, Bangladesh became a sovereign nation state with a population of 150,448,339 in a land area of 144,000 sq. km. To its west is India and Myanmar is to its east.

The country touches the Bay of Bengal with Chittagong and Cox's Bazar being two important port cities.

As the British Empire came to its end, the British partitioned the Indian subcontinent in 1947 into several independent states, creating a Moslem majority state of Pakistan which included East Pakistan (now Bangladesh) and West Pakistan (now Pakistan). Right from the beginning, the Pakistani regime had difficulties; East Pakistan had the majority of the population and contributed more to tax revenue. Political leadership, however, was dominated by the people of West Pakistan. The peoples of this unified Pakistan spoke different languages and had different lifestyles, deepening the communication gap. India, a huge country, physically divided the two parts of old Pakistan. The Indian government was rightfully concerned that the country was vulnerable to attack if the Pakistani army invaded India from its two fronts, the east and the west. The partitioning of India largely between Hindu India and Moslem Pakistan could be seen as an end game of the departing imperial power to substantively weaken the political stability of the subcontinent. Be that as it may, India lent support to the liberation movement of the people of East Pakistan. In 1971, Bangladesh became an independent state. West Pakistan became Pakistan.

History records how the British East India Company in Bengal (Bangladesh and the Indian state of West Bengal together) in the 18<sup>th</sup> century manipulated the local political situation. People of Bengal, Hindus and Moslems, spoke one common language, Bengali. In the Battle of Plassey (1757), Nawab Serajuddulla of Bengal was outmanoeuvred and soundly defeated by the British forces led by Lord Clive; British imperial rule soon became a reality. In 1947, Bengal was partitioned, the Hindu majority areas going to India and renamed West Bengal, and the Moslem majority area going to Pakistan as East Pakistan.

Bangladesh is resource-scarce. Adverse weather conditions impact its economy. The country is below the sea level and all too often, the monsoon season brings too much rain and flooding is a routine havoc. As many as 98 percent of the Bangladeshis share a common ethnicity, Bengali. Bengali is the official language spoken by Bangladeshis. The country's ethnic and linguistic homogeneity must be taken note of. In regards to religion, the people are mostly Moslem with some 16 percent Hindus.

Bangladesh is a parliamentary democracy based on universal suffrage at 18 years of age. March 26, 1971, the date of proclamation of independence from Pakistan, is celebrated as Independence Day, a national holiday. December 16, 1971 is celebrated as Victory Day, commemorating the official inauguration of the sovereign state of Bangladesh. Dhaka is the capital city. There are six administrative divisions.

The President is elected by the National Parliament for a five year term, with a two-term limit, and is the chief of state. The unicameral legislature consists of the Jatiya Sangsad, the national parliament with 700 seats. Its members are elected by popular vote representing single territorial constituencies and serve five-year terms. The Supreme Court, with the Chief Justice and other judges appointed by the President, constitutes the country's judiciary.

In Bangladesh's pluralistic democracy, two political parties, the Awami League led by Sheikh Hasina, and the Bangladesh Nationalist Party led by Khaleda Zia, have been in contest for leadership. Two female politicians lead the two parties, and the intense political rivalries between the two parties have become so acute that the recent

popular election in Bangladesh had to be suspended. An *ad hoc* administration is struggling to seek relief from the constitutional impasse. A general election is expected to be held in December 2008.

Bangladesh continues to be a pre-industrialized agricultural economy. Almost a fifth of its GDP in 2006 is estimated to come from this sector. The industrial sector's share in 2006 is estimated to be approximately a fifth. Almost two-thirds of Bangladeshis are employed in the agricultural sector, rice being its single most important product.

This small economy is over-populated with much exposure to natural calamities. Poverty is wide spread. The absence of political stability aggravates the economic situation. An independent initiative, known as the Grameen Bank, led by Dr. Muhammad Yunus, a Professor of Economics, has contributed to a revolution in terms of changing the structure of Bangladesh's agricultural economy. Indeed, the program received global attention and Professor Yunus and the program was awarded Nobel Peace Prize in 2006. The program helping poor people in rural areas in the Indian subcontinent has become well known and has received attention from many other pre-industrialized agricultural economies. In India, Mahatma Gandhi initiated the movement for village economic development on the principle of self help. Villagers were urged to manufacture cottage-level industrial products with indigenous tools. Giving away land to the landless (Bhumidan) became a part of this movement. In the post-independence decades, the State Bank of India was established to provide loans to farmers and village-level entrepreneurs. However, the rural people lacked the know-how to take proper advantage of the rural banking system. All these programs had only limited success. The world leaders have long championed the cause of helping the poor by charities; the World Bank has taken some initiatives for fighting poverty in several countries.

The Grameen Bank program has earned its notable success by introducing basic principles of economics to economic development programs in poverty-stricken villages of Bangladesh. Let us note that over time, offering land to the landless, home to the homeless, shelter to the orphans, food to the hungry, and health-care to the sick suffering from disease have been the pressing moral concern for many individuals and institutions. Charity from the haves to the have-nots, however, proved to be of limited value. It does not offer a learning process to develop marketable skills, nor does it provide opportunities for the individual to become self-employed or an entrepreneur.

In 1976, in the surrounding villages of the city of Chittagong in Bangladesh, the Grameen Bank program was formally initiated. Professor Yunus himself went to villages and lent money to the people, mostly women. They used the loans and produced some output and merchandised their products with the help of the professor-banker. The revenue collected became more than the cost of the product, so the borrowers happily repaid the loans plus moderate service charges and earned their shares of net profits. The system is now a much appreciated global economic game plan.

Micro-credit and micro-financing are reference terms of the new economics. Let us hasten to add that the operation has not yet been able to cover a large segment Bangladesh's rural population; industrialization of the economy on a much broader scale must follow. Bangladesh's estimated investment in gross fixed investment at 25 percent of its GDP places it on an ideal course. An innovative agenda will be to make use of

knowledge in science, correlating high-tech communication systems with villages, enabling villagers to access knowledge, funding and marketing (Kalam 2006).

Bangladesh is a member of most international organizations. It is of course a member of the SAARC. Indeed, the first meeting of SAARC in 1985 was held in Dhaka, the capital city of Bangladesh. We have noted that SAARC has delivered far less than what it promised to the people of South Asia. However, the institution is an understanding of the fact that the peoples of South Asia have a choice to be rich together or to remain poor together. Their regional interdependence is a fact.

## 20. Nepal

Nepal is officially the world's only Hindu kingdom up on the Himalayas. This landlocked country between India and China is the home of world's ten highest Himalayan peaks including Everest and Kanchenjunga. In a land area of 147,181 sq. km., this mountain country is the home of 28,901,790 (2007 estimate) Nepalese, with colorful ethnic and linguistic diversities. Even though some 81 percent of the people subscribe to the Hindu religion, others subscribe to Buddhism, Islam, Kirant. Nepali, spoken by some 50 percent of the population, is the official language. English continues to be spoken by many in government and business.

Nepal has a history of its own. It consisted of small village-level principalities, each ruled by a village chieftain. In 1768, Prthvi Narayan Shah unified Nepal. The Nepalese have been known for their military aptitude; Nepalese troops helped the British crush the 1857 Sepoy Mutiny (the rebellion of the army) in India. The British recruited the Gurkhas to fight for their imperial interest all over the world. The Royal Nepalese Army, including the Royal Nepalese Army Air Services and the Nepalese Police Force, have played specific roles in maintaining the law and order. The relationship between the King of Nepal and the British rulers in the Indian subcontinent was one of mutual friendship and accommodation. Nepal was a sovereign state and the British established diplomatic relations with Nepal in 1923. The British Ambassador in the royal court of Nepal was designated a Resident, who commanded much attention.

The peoples of Nepal and India trace their roots to the shared religious and cultural heritage of their peoples. China and Nepal also have neighborly relations of understanding. Nepal on the Himalayas with its picturesque landscape and majestic natural beauty has been successfully engaged in diplomatic contacts and communications with its two neighbors, each with over a billion people and each with a nuclear arsenal.

In 1951, the Nepalese Monarch ended the traditional system of government by hereditary Prime Ministers. Recent years of political turmoil led by the Maoist movement have been a familiar story. In February 2005, the Monarch dissolved the government and declared a state of emergency. Political leaders were under arrest and he assumed absolute authority until April 2006. A Peace Accord with the Maoists was concluded on August 3<sup>rd</sup>, 2005, which effectively left the Monarch with no function. In November 2006, an ad hoc Constitution was promulgated. A multiparty democracy inclusive of the Maoists, with universal franchise at 18 years of age, is the new framework of the Nepalese government.

Kathmandu is the capital city. The 14 zones are its administrative units. In 2006, Parliament voted to no longer observe the King's birthday as a national holiday. On November 9, 2006, the interim Constitution became operational and November 9 is observed as Constitution Day, a national holiday.

As of April 30, 2006, Prime Minister Girija Prasad Koirala was at once chief of state and Prime Minister. He was aided by two Deputy Prime Ministers. Historically the Monarch appointed the Prime Minister and the Cabinet on the advice of the Prime Minister, the leader of the majority party or of a majority of coalition of parties in the Parliament. An interim Parliament with 330 seats, shared by about a dozen political parties inclusive of the Nepali Congress, the Communist Party of Nepal/United Marxist-Leninist, the Communist Party of Nepal (Marxist) and the Nepali Congress - Democratic (NC/D), was instituted on January 15, 2007. There were 77 Maoists nominated as members of the interim Parliament. The Koirala Cabinet included seven Maoist Ministers.

The Supreme Court (Sarbochha Adalat), with the Chief Justice appointed by the Monarch on the recommendation of the Constitutional Court, heads the judiciary. Other judges of the Supreme Court are appointed by the Monarch on the recommendation of the Judicial Council.

Popular elections scheduled to be held in June 2007 were postponed until November 2007, but were further delayed until April 10, 2008. Elected members constituted the Constituent Assembly, and drafted the constitution for Nepal. Following further deliberations, the Assembly is scheduled to adopt the constitution in two years. The Constituent Assembly elections on April 10, 2008 have been a landmark event. At its first meeting on May 28, 2008, it abolished the 239-year old institution of monarchy and made Nepal a Federal Republic. Of the 575 seats in the Assembly, the Maoists with 220 representatives, became the single-party majority, though they lacked the numbers needed to elect their candidate to serve as president, and opted to give up their leadership role. A coalition of the Nepalese Congress Party, the Communist Party of Nepal and other smaller parties could not accept the challenge to form an alternative government. Therefore, the leader of the Maoist Party, Pushpa Kamal Dahal has been sworn as the Prime Minister of Nepal. Once the Constitution is adopted, a general election will be held for the Nepalese Parliament.

Nepal is resource-poor. Its mountain terrain in a remote region with limited accessibility has proved incompatible with most industrial activities. In addition, the political instability for the past several decades has been much too discouraging to foreign investments. Tourism is a leading industry for Nepal; this land of natural beauty invites many and its religious temples attract many pilgrims. The potential of mountaineering is to be explored with foreign investments. The Himalayas could do to the Nepalese economy what the Alps have done to the economies of Switzerland and its neighboring states. It is to be noted Nepal has long been a center for climbers of Everest and Kanchenjunga. The Sherpas of Nepal with their high-altitude mountaineering skill have developed a lucrative profession for themselves.

In 2005-06, the share of Nepal's GDP from its agricultural sector was as high as 38 percent. The industrial sector's contribution was 20 percent. Industrial production growth rate in the same financial year is recorded to be as low as 2.2 percent. The potential of hydro-electricity, with the potential markets in both India and China, remains

to be explored. For the present, unemployment rate in Nepal is at 42 percent and poverty is widespread. The inflation rate is high. The economic distress of the country with all its natural beauties and potentials remains to be explored. How could Nepal invite inflows of foreign investments?

Nepal is a member of most international organizations. Nepal is also a member of SAARC, with the SAARC secretariat in its capital city. SAARC has yet to deliver on its promise to South Asia's nearly two billion people. Intra-regional cooperation amongst the twenty-two economies of Asia will be a big plus for this small Himalayan economy.

## 21. Kingdom of Bhutan

Bhutan is small, landlocked Himalayan state with 2,327,849 people in a land area of 47,000 sq. km., sharing borders with India on three sides, and China in its north. "If there is a place indeed named Utopia, this place may come the closest to it." (Kenro Izu, quoted in *The New York Times*, December 21, 2007) The country is endowed with very limited natural resources, inclusive of some gypsum and calcium carbonate, while other small economies like Brunei and Mongolia are hugely resource-rich. The King of Bhutan invites the rest of the world to visit his Kingdom to experience their gross domestic happiness. He warns them not to evaluate Bhutan by its gross domestic product.

Under the Treaty of Sinchula in 1865, the British Raj in the Indian subcontinent granted Bhutan some subsidies in exchange for some of Bhutan's territory. A monarchy was set up in 1907 and in 1910 a treaty was signed making Bhutan a sovereign state managing its own domestic affairs, but gave the British control over its foreign relations, a familiar format for many native states in the Indian subcontinent during the British Rule. After gaining independence in 1947, India inherited the same political relationship with Bhutan. Two years later, India returned the areas of Bhutan earlier annexed by the British Raj, and signed an Indo-Bhutanese accord on August 8, 1949. Bhutan became a sovereign state. Bhutan continues to be a hereditary monarchy whereby the Monarch assumes absolute authority as chief of state and head of government. The former King Jigme Singye Wangchuck unveiled a reform program with the installation of a popular democracy as the core of the reform agenda. The King has promulgated a draft Constitution, subject to its adoption in a general election expected to be held in 2008. In December 2006, the King abdicated in favor of his son, Jigme Khesar Namgyel Wangchuck. The young King of Bhutan has recently invited his people to institute a parliamentary democracy, presided over by a constitutional monarch.

The Bhutanese people are of diverse ethnic groups, 50 percent being Bhote and 35 percent Nepalese. Lamaistic Buddhism is the religion of three-fourths of the people, the rest being Hindu. Dzongkha is the official language, but the Bhotes also speak various Nepalese and Tibetan dialects.

At present, Bhutan has an absolute, hereditary monarchy. The King is the chief of state and he appoints the Prime Minister as head of government. Reforms in July 1998 state a specific provision allowing the National Assembly (Tshogdu) to remove the Monarch with a two-thirds majority. The present National Assembly has 150 members, 105 elected from village constituencies, 10 representing religious bodies and 35 designated by the Monarch. Its members serving three-year terms, though pending

reform, members of the present National Assembly will serve a fixed five-year term. There is a Royal Advisory Council with members, nominated by the Monarch and its role is to advise the Monarch on issues of concern. There is no diplomatic relationship between the USA and Bhutan. Informal contacts between the embassies of Bhutan and the USA in New Delhi are maintained.

Thimpu is the capital city. Twenty districts are its administrative divisions. Under the specific agreement, Bhutan became independent of India on August 8, 1949. The day is observed as Independence Day. The birthday of the first hereditary king, Ugyen Wangchuck, December 17, 1907, is observed as a national holiday. Each family has one vote in village-level elections.

The economy of Bhutan is pre-industrialized and very much dependent on agriculture. Approximately a quarter of its GDP comes from that sector and employs two-thirds of its labor force. The government of Bhutan has a pro-green policy limiting industrial activities which would contribute to environmental pollution. With its public debt at about 81.4 percent of its GDP, Bhutan has a fiscal burden. In 2005, India financed nearly three-fifths of its budget deficits. India is its major trading partner with about 70 percent of its exports and 75 percent of its imports. Bhutan's export of hydroelectricity to India should be noted. Its currency is tied to the Indian rupee.

Bhutan is a member of most international organizations, and also of SAARC. For Bhutan, one of the world's smallest countries, the continental regional integration of the Asian economy with Asian money will certainly be a big plus.

## 22. Democratic Socialist Republic of Sri Lanka

Sri Lanka is an island country in the Indian Ocean; the waters from the Bay of Bengal, the Arabian Sea and the Gulf of Marnar wash upon its shores. In a land area of 65,610 sq. km., the 20,926,315 (2007 estimate) Sri Lankans of this island country continue to face many and varied challenges. Ethnic hostility between the Tamils and the Sinhalese burst into war in 1983, and it continues with no end in sight. The tropical, northeast and southwest monsoons sweep through the area for much of the year. Natural calamities, cyclones and tornadoes, often cause much damage to this equatorial island. The Tsunami in 2004 caused massive devastations to Sri Lanka: some 31,000 people died and 6,300 were missing. About one half of a million Sri Lankans became refugees in their own country. Property damages were estimated to be USD 1.5 billion.

History tells us that in the 6th century BCE, the Sinhalese arrived in Sri Lanka from India. Buddhism came to the island from India in 3rd century BCE. In the 14th century, the people from South India came and established the Tamil Kingdom in the northern region of the island. Sri Lankan Tamils continue to be a constituent part of its population. The Portuguese came and established their port cities in the 16th century; in the 17th century the Dutch set up their trading posts. The British came to control the island in 1796, and Sri Lanka became a Crown colony in 1802 and was named Ceylon. With the liquidation of the British Empire in South Asia, Ceylon became an independent sovereign nation in 1948. In 1972, Ceylon was renamed Sri Lanka.

In terms of ethnicity, three-fourths of Sri Lankans are Sinhalese and about 10 percent are Tamils. Some seventy percent of the population subscribes to Buddhism,

while the rest include Hindus, Christians and Moslems. Sinhala is the official language; it is spoken by three-fifths of the population while Tamil is spoken by about a fifth. English is widely spoken by the leaders in business and administration.

Sri Lanka has a republican form of government with universal franchise at 18 years of age. Eight provinces are Sri Lanka's administrative units. Colombo is the capital city. On February 4, 1948, Sri Lanka became independent of the British Raj, and the day is observed as Independence Day and a national Holiday. Sri Lanka adopted its Constitution on August 16, 1978, effective August 31.

The President, elected by popular vote for a six-year term, with a two term limit, is both chief of State and head of government. Sri Lanka has a Prime Minister, a largely ceremonial office. The Cabinet is appointed by the President in consultation with the Prime Minister. Mahinda Rajapaksa won the presidency in the election held on November 17, 2005. The unicameral legislature consists of Parliament with 225 seats, based on a modified proportional representation. Its members are elected by popular votes to serve six year terms. The Supreme Court, with the Court of Appeals, leads the judicial branch. Judges of both courts are appointed by the President.

Sri Lanka led the Asian countries as it initiated an open economic policy as early as 1977. The import substitution paradigm was replaced by the export-import led economic growth model. The rest of the world found Sri Lanka a strategic locale for exploring economic opportunities in South Asia. Foreign investment and foreign trade followed and initiated an upturn for the Sri Lankan economy. However, the prolonged brutalities of ethnic violence between the Sinhalese and the Indian Tamils defy all efforts for intra-group reconciliation and peace. Combined with the death and destruction resulting from natural calamities ended the economic prosperity of Sri Lanka, rather abruptly. The average annual rate of growth of Sri Lanka's GDP for the past decade has been 4.5 percent, excepting the recession in 2001. Sri Lanka has established an industrial base, manufacturing textiles, apparel, food, and beverages. The island economy has added to its industrial base food processing, telecommunication, insurance and banking. The natural resources of Sri Lanka include limestone, graphite, mineral sands, gems and phosphates. Sri Lankan exports include tea and spices, diamonds, emeralds, rubies coconut products, textiles and apparel. Extensive post-Tsunami reconstruction work has added some growth momentum. Even so, given the state of its political instability and communal violence, one must conclude that the economic potential of Sri Lanka remains to be explored.

Sri Lanka is a member of most international organizations. As a member of SAARC, Sri Lanka has been proactive. Its trade relations with India, China Singapore, Malaysia, Japan, Iran, the USA, the UK and Germany point to that. Sri Lanka will expectedly welcome the 22-country Asian Economy with Asian money. A much larger Asian framework will expectedly be a positive factor in bringing its ethnic war to an end.

## 23. Republic of Maldives

The Maldives is another island country, with 1,190 coral islands grouped into 26 atolls in the Indian Ocean between the Arabian Sea to its west and the Laccadive Sea to its east. This tropical state is swept by seasonal monsoons from June through August.

Of the 1,190 islands, only 200 are inhabited and 80 others are tourist resorts. The Maldives is home to 369,031 (2007 estimate) people in a land area of 300 sq. km. The reality of global warming and the consequent rise in the sea level is very much an “inconvenient truth” for this country. Let us note that 80 percent of the Maldives’ land is one meter or less above sea level.

The three major ethnic groups are South Indians, Sinhalese and Arabs. Sunni Islam is the primary religion. Maldivian Dhivehi, a Sinhalese dialect with Arabic script, is the official language, but English is spoken by most officials.

Long a sultanate under the protection of successive European powers, first the Dutch, then the British, the Maldives became independent in 1965. In 1968, it became a republic. Since 1978, President Maumoon Abdul Gayoom, serving his sixth term in office, has been the dominant personality. Popular movements for democratic reforms beginning in August 2004 have been a challenge. Promises for reforms have been made and the Maldivians continue to wait for a positive outcome with prayer and patience.

Male is the capital city with 19 administrative divisions and the capital city. July 26, 1965 is observed as Independence Day, a national holiday. The constitution was adopted on January 1, 1998. Islamic Law dominates is the base core. It is a republic with universal franchise at 21 years of age.

The President, nominated by the Majlis (Council) and subject to ratification by national referendum with at least 51 percent vote, is at once chief of state and head of government. The President serves office for a five-year term, with no term limits. The President appoints the Cabinet of Ministers. The Council has 50 seats, 42 elected by popular vote, 8 appointed by the President. Council members serve for five-year terms and constitute the unicameral legislature. The judicial branch is headed by the High Court.

The economy of the Maldives is very service oriented, tourism being its chief component. As much as 77 percent of its GDP in 2006 is estimated to come from the service sector. In the same year, industry’s contribution is just 18 percent, the remaining 22 percent coming from the agricultural sector, primarily coconuts, corn, sweet potatoes and fish. Tourism accounts for 28 percent its GDP and more than 60 percent of its foreign exchange receipts, being its prime economic activity. As much as 90 percent of government tax revenue comes from tourism and related import duties. A decade-plus average annual rate of growth of GDP of 7.5 percent is a record and may qualify the Maldives as an Asian miracle country. The Tsunami in 2004 left its mark on its economy, but recovery efforts continue to be in progress.

The Maldives is a member of major international organizations. The USA does not have an embassy in the Maldives; the US Ambassador to Sri Lanka is assigned to this island country and makes periodic visits to Male. As a member of SAARC, the Maldives is ready to make its contributions; its economic relations with Japan, Thailand, Sri Lanka, the UK, Singapore, Germany, France, India, the UAE and Malaysia are notable. The gain from an Asian continental economic framework with Asian money will hopefully be a positive factor for the Maldivian economy.

## 24. Conclusion

Following an overview of the profile of the twenty-two member countries, we introduce some macroeconomic indicators for each country. In Appendix A, the relevant statistical data are reported while Appendix B presents a summary of data relative to the ethnic, linguistic and religious diversities of the AE-22. Though the levels of industrialization among the countries vary, they are all rich in diversity.

With the admission of twelve new member countries to its roster in 2007, the EU can offer a comparable profile of an integrated economic region where geography is the bond of union. Appendix C highlights the position of dominance of India in SAARC, pointing to the non-viability of a South Asian regional economic cooperation, as we have argued.

## *Appendix A*

### Investment/GDP Ratio, Gross Fixed, 2006

Country	(%)
Japan	23.7
Korea	28.4
China	44.3
India	29.2
Indonesia	20.3
Malaysia	19.9
Philippines	14.6
Singapore	21.8
Thailand	28.7
Brunei Darussalam	n.a.
Vietnam	32.6
Cambodia	18.7
Laos	n.a.
Myanmar	11.8
Chinese Taipei	18.4
Mongolia	n.a.
Pakistan	15.6
Bangladesh	24.9
Nepal	n.a.
Bhutan	n.a.
Sri Lanka	28.2
Maldives	n.a.

Source: World Factbook 2007

## Distribution of Income: Gini Index

Country	Gini Index (Year of Measurement)
Japan	38.1 (2002)
Korea	35.8 (2000)
China	44.0 (2000)
India	32.5 (2000)
Indonesia	34.9 (2004)
Malaysia	46.1 (2002)
Philippines	46.1 (2003)
Singapore	42.5 (1998)
Thailand	51.1 (2002)
Brunei Darussalam	n.a.
Vietnam	36.1 (1998)
Cambodia	40.0 (2004)
Laos	37.0 (1997)
Myanmar	n.a.
Chinese Taipei	n.a.
Mongolia	44 (1998)
Pakistan	41 (FY 1998/1999)
Bangladesh	31.8 ( 2006)
Nepal	37.7 (FY2004/2005)
Bhutan	n.a
Sri Lanka	50.0 (FY2003/2004)
Maldives	n.a

Source: World Factbook 2007

## Sectoral Shares of GDP (%), 2006 estimates

Country	Agriculture	Industry	Service
Japan	1.5	25.3	73.1
Korea	3.0	45.0	52.0
China	11.9	48.1	40.0
India	19.9	19.3	60.7
Indonesia	13.1	46.0	41.0
Malaysia	8.3	48.1	43.6
Philippines	14.2	32.1	53.7
Singapore	0.0	33.8	66.2
Thailand	10.0	44.9	45.2
Brunei Darussalam*	0.9	71.6	27.5
Vietnam	20.1	41.8	38.1
Cambodia	35.0	30.0	35.0
Laos	43.4	30.6	26.0
Myanmar	50.0	15.0	35.0
Chinese Taipei	1.5	25.2	73.3
Mongolia	21.7	27.9	50.4
Pakistan	22.0	26.0	52.0
Bangladesh	19.9	20.6	59.5
Nepal	38.0	20.0	42.0
Bhutan	24.7	37.2	38.1
Sri Lanka	17.3	27.3	55.3
Maldives	16.0	18.0	60.0

Source: World Factbook 2007

\* Brunei Darussalam Service share of GDP is 2005 estimate

### Inflation and Unemployment (%), 2006 estimates

	Rate of Inflation	Unemployment Rate
Japan	0.3	4.1
Korea	2.2	3.3
China	1.5	4.2*
India	5.3	7.8
Indonesia	13.2	12.5
Malaysia	3.8	3.5
Philippines	6.2	7.9
Singapore	1	3.1
Thailand	5.1	2.1
Brunei Darussalam	1.1*	4
Vietnam	7.5	2
Cambodia	5	2.5^
Laos	6.8	2.4*
Myanmar	21.4	10.2
Chinese Taipei	1	3.9
Mongolia	9.5*	3.3*
Pakistan	7.9	6.5
Bangladesh	7.2	2.5
Nepal	8.6	42
Bhutan	5.5*	2.5**
Sri Lanka	12.1	7.6
Maldives	6.0*	negligible***

Source: World Factbook 2007

\* 2005 estimates

\*\* 2004 estimate

\*\*\* 2003 estimate

^ 2000 estimate

GDP, 2006 estimates, international dollar

	GDP (USD, in billions)	GDP (PPP, in billions)	GDP Per Capita (PPP)
Japan	4911.0	4,220	33,100
Korea	897.4	1,180	24,000
China	2512.0	10,000	7,600
India	796.1	4,042	3,700
Indonesia	264.4	935	3,800
Malaysia	131.8	308.8	12,700
Philippines	116.9	443.1	5,000
Singapore	121.5	138.6	30,900
Thailand	196.6	585.9	9,100
Brunei Darussalam	9.5	9.53	25,600*
Vietnam	48.3	258.6	3,100
Cambodia	6.6	36.78	2,600
Laos	2.8	13.43	2,768
Myanmar	9.6	83.84	1,800
Chinese Taipei	353.9	668.3	29,000
Mongolia	1.5	5.78	2,000
Pakistan	124.0	427.3	2,600
Bangladesh	69.0	330.8	2,200
Nepal	7.0	41.2	1,500
Bhutan	0.8	2.9	1,400
Sri Lanka	27.4	93.33	4,600
Maldives	0.9	1.25	3,900**

Source: World Factbook 2007

\* 2005 estimates

\*\* 2002 estimate

## Reserve of Foreign Exchange and Gold, 2006 estimates

	USD, in billions
Japan	864.7
Korea	239
China	1,034
India	165
Indonesia	43.04
Malaysia	82.3
Philippines	22.97
Singapore	134.6
Thailand	59.06
Brunei Darussalam	
Vietnam	11.92
Cambodia	1.39
Laos	316.9
Myanmar	1.01
Chinese Taipei	280.6
Mongolia	n.a.
Pakistan	13.29
Bangladesh	3.28
Nepal	n.a.
Bhutan	n.a.
Sri Lanka	2.81
Maldives	n.a.

Source: World Factbook 2007

## APPENDIX B

### *Linguistic Diversity*

Japan	Japanese.
Korea	Korean. English is widely taught in schools.
China	Mandarin and regional dialects.
India	Hindi is the national language. There are 14 other official languages and several associate official languages. English continues to be the language for much inter-state political and business communications, and of course for international contacts. English is widely taught and English-language private schools continue to draw large enrollments, understandably helpful for overseas education and eventual career advancement. India is indeed a multilingual country, comparable to the EU.
Indonesia	Bahasa Indonesia is the official language. English, Dutch, and local dialects of which Javanese widely spoken.
Malaysia	Bahasa Melayu is the official language. Others include English, Chinese (Cantonese, Mandarin, Hokkien, Hakka, Hainan, Foochow), Indian (Tamil, Telegu, Malayalam, Panjabi), Thai. Indigenous languages, Iban and Kadazan, are widely spoken in East Malaysia.
Philippines	Filipino (Tagalog) and English – two official languages: plus eight major dialects.
Singapore	Mandarin 35, English 23, Malay 14.1, Tamil 3.2, Others include Hokkien, Cantonese, Teochew.
Thailand	Thai is the official language. English a secondary language.
Brunei Darussalam	Malay is the official language. English and Chinese used.
Vietnam	Vietnamese is the official language. English is favored as a second language; others include French, Chinese, Khmer and mountain languages
Cambodia	Khmer (95 percent) is the official language. French and English are spoken
Laos	Lao is official language. French, English, other ethnic languages
Myanmar	Burmese, other minority ethnic group languages
Chinese Taipei	Mandarin Chinese is the official language. Taiwanese (Min and Hakka dialectes
Mongolia	Khalkha Mongol 90 percent, some Turkic and Russian
Pakistan	Punjabi 48 percent, Sindhi 12 percent, Siraki 10 percent, Pashtu 8 percent, Urdu 8 percent, Balochi 3 percent, Hindko 2 percent, Brahui 1 percent. English is the official lingua franca of the elite.
Bangladesh	Bangla (Bengali) is the official language and spoken by Bangladeshis. English is spoken by the elite.

Nepal	Nepali 47.8 percent, Maithali 12.1 percent, Bhojpuri 7.4 percent, others include Tharu, Tamang, Newar, Magar, Awadhi, (census 2001)
Bhutan	Dzongkha is the official language, plus various Tibetan and Nepalese dialects.
Sri Lanka	Sinhala is the official language 74.0 percent, Tamil 18 percent, Other 8 percent.
Maldives	Maldivian Dhivehi is the official language. English is spoken.

Source: The World Factbook 2007

### *The Religious Map (%)*

Japan	Shinto & Buddhist 84, Others & Unknown 16
Korea	Buddhist 23.2, Christian 26.3, Others 1.3, Unknown 49.3
China	Daoist (Taoist), Christian 3-4, Others + Unknown 1-2 & Buddhist
India	Hindu 80.5, Moslem 13.4, Christian 2.3, Sikh 1.9, Others & Unspecified 4.2
Indonesia	Moslem 86.1, Christian 8.7, Other 3.4, Hindu 1.8
Malaysia	Moslem 60.4, Christian 9.1, Others 1.5, Hindu 6.3, Buddhist 19.2
Philippines	Moslem 5, Christian 92.5, Others 2.5
Singapore	Buddhist 42.5, Christian 14.5, Others 15.5, Hindu 4.0, Taoist 8.5, Moslem 14.9
Thailand	Buddhist 94.6, Moslem 4.6, Christian 0.7 Others 0.1
Brunei Darussalam	Moslem 67.0 Christian 10.0 Buddhist 13.0, Others 10.0
Vietnam	Buddhist 9.3, Christian 7.2, Moslem 0.1, Others & Unspecified 80.8 (1999 census)
Cambodia	Buddhism (Teravada) 95, Others 5.0
Laos	Buddhism 65, Animist 32.9, Christian 1.3, Others 0.8 (1995 census)
Myanmar	Buddhist 89, Christian 4.0, Animist 1.0, Moslem 4.0, Others 2.0
Chinese Taipei	Buddhism/Taoism 90.0, Christian 4.5, Others 2.5
Mongolia	Buddhist Lamaist 50.0, Christian 6.0, Others & Unspecified 40.0
Pakistan	Moslem 97.0, Christian & Hindu 3.0
Bangladesh	Moslem 83.0, Hindu 16.0, Others 1.0 (1998 census)
Nepal	Hindu 80.6, Buddhist 10.7, Moslem 4.2, Kirant 3.6, others 0.9, (2001 census)
Bhutan	Lamaistic Buddhist 75.0, Hinduism 25.0
Sri Lanka	Buddhist 69.1, Moslem 7.6, Hindu 7.1, Christian 6.2, unspecified 10.0
Maldives	Sunni Islam

Source: The World Factbook 2007

Note: Christians include: Protestants, Roman Catholics and other Christian groups

### *Ethnic Diversity (%)*

Japan	Japanese 98, Other 1.5
Korean	Korean 20,000 (Chinese)
China	Han Chinese 91.9, Other 8.1*
India	Indo-Aryan 72     Dravidian 25     3
Indonesia	Javanese 40.6, Sundanese 15.0, Madurese 3.3, Minangkabau, 2.7, Betawi 2.4, Bugis 2.4, Banten 2.0, Banjar 1.7, Unspecified 29.9
Malaysia	Malay 50.4, Chinese 23.7, Indigenous 11.0, Indian 7.1, Other 7.8
Philippines	Tagalog 28.1, Cebuano 13.1, Ilocano 9, Bisaya 7.6, Hiligaynon Ilonggo 7.5, Bikol 6, Waray 3.4, Other 25.3.
Singapore	Chinese 76.8, Malay 13.9, Indian 7.9, Other 1.4 (2000 census)
Thailand	Thai 75, Chinese 14, Christians 0.7, Other 0.1
Brunei Darussalam	Malay 67, Chinese 15, indigenous 6, Other 6
Vietnam	Kinh (Viet) 86.2, Thai 1.7, Tay 1.9, Muong 1.5, Khome 1.4, Hoa 1.1, Nun 1.1, Hmong 1.0, Other 4.1
Cambodia	Khmer 90.0, Vietnamese 5.0, Chinese 1.0, Other 4.0
Laos	Lao Loum 68.0, Lao Theung 22.0, Lao Soung and the Hmong and the Yao 9.0 Vietnamese.Chinese 1.0
Myanmar	Burmese 68, Shan 9.0 Karen 7.0, Rakhine 4.0, Chinese 3.0, Indian 2.0, Mongol 2.0 and Other 5.0
Chinese Taipei	Taiwanese (including Hakka) 93, Mainland Chinese 14, indigenous 2.
Mongolia	Mongol (mostly Khalkha) 94.9, Turkic (mostly Kazakh 5.0), Other 0.1.
Pakistan	Punjabi, Sindhi, Pashtun, Baloch, plus Muhajir (immigrants from India and their descendants
Bangladesh	Bengali 98.0, Other 2.0
Nepal	Chettri 15.5, Brahman-Hill 12.5, Magar 7.0, Tharu 6.6, Tamong 5.5, Newar 5.4, Moslem 4.2, Kami 3.9, Yadav 3.9, Other & Unspecified 35.5 (2001 census)
Bhutan	Bhote 50.0, Nepalese 35.0, indigenous or migrant tribes 15.0
Sri Lanka	Sinhalese 73.8, Sri Lankan Moors 7.2, Sri Lankan Tamil 3.9, Indian Tamil 4.6, Other and Unspecified 10.5
Maldives	South Indians, Sinhalese, Arabs

Source: The World Factbook 2007

\* includes Zhuang, Uygur, Hui, Yi, Tibetan, Miao, Manchu, Mongol, Buyi, Korean, and other ethnic nationalities.

## APPENDIX – C

### SAARC

	Land Area sq. Km. 000	(%)	Population millions	(%)	GDP (US\$) billions	(%)	GDP (PPP) billions	(%)
India	3,287.50	73.26	1,129.90	75.45	796.1	77.65	4042	81.84
Pakistan	796.1	17.74	164.7	11.00	124	12.10	427.3	8.65
Bangladesh	144	3.21	150.4	10.04	69.02	6.73	330.8	6.70
Nepal	147.2	3.28	28.9	1.93	6.95	0.68	41.2	0.83
Bhutan	47	1.05	2.3	0.15	0.8405	0.08	2.9	0.06
Sri Lanka	65.6	1.46	20.9	1.40	27.4	2.67	93.33	1.89
Maldives	0.3	0.01	0.4	0.03	0.906	0.09	1.25	0.03
Total	4,487.70	100.00	1,497.50	100.00	1,025.22	100.00	4,938.78	100.00

Source: The World Fact Book 2006, U.S. Government, Washington, DC  
See also Tables 2.1, 2.2, and 2.3.

Note: Major International Organizations: The United Nations (UN), the World Bank (WB), the International Monetary Fund (IMF), their allied organizations, such as, United Nations Conference on Trade and Development (UNCTAD), United Nations Education, Scientific Cooperation Organization (UNESCO), United Nations Institute for Training and Research (UNITAR), International Labor Organization (ILO), Organization for Economic Cooperation and Development (OECD), World Trade Organization (WTO), World Health Organization (WHO), Group of Eight Economies (G-8). Japan is not a permanent member of the UN Security Council and the debate currently remains open.