

India has depended on advanced technology from the west, which is unavailable in the quantities it needs for rapid expansion of the economy. The cluster of arrangements worked out as alternatives to the World Bank proposals represent a perspective on which the next six months of economic activity will be based.

With India already having invested so much of its future in economic recovery based on an alternative monetary structure, what the Carter Administration has proposed to Mrs. Gandhi is an eminently suicidal package. The advice given no doubt reminds Mrs. Gandhi of two past periods of crisis in the economy. In 1965, in her first year as prime minister she was pressured into following World Bank advice to devalue the currency only to find that the much promised aid and markets never came through. Now India is promised big export markets only to find the western economies in a recession. The promises are worth little in the light of India's alternatives.

EXPORT/IMPORT TRADE TRENDS
(Percentage)

	Exports 1974-1975	Imports 1974-1975
Africa	7.1%	3.4%
North America	12.7	--
Canada	1.3	--
USA	11.4	--
East Europe	20.6	14.6
Soviet Union	12.7	9.0
Czechoslovakia	1.8	0.7
*EEC	20.9	18.8

*includes United Kingdom, Federal Republic of Germany, Belgium, Italy.

Economic Trends in Southeast Asia: An Overview of the ASEAN Countries

The five member nations of ASEAN (Association of Southeast Asian Nations), Indonesia, Philippines, Thailand, Malaysia, and Singapore, passed 1976 in a deceptively stable "holding pattern" that reassured only naive observers. The turnabout in Indonesia's reserve and payments situation from the "Pertamina crisis" of 1975 masked a near stagnation in development projects and domestic economic growth, and the effects of substantially reduced imports in the first half of 1976 on the economy. Malaysia's export revenue expanded in the first half of the year at a 30 per cent annual rate against constant imports, but most of this was accounted for by price rises in speculative trading on the London commodities markets, and export increases to Japan and the U.S. that cannot be sustained in 1977. The Philippines faced a debt crisis as 1976 ended that was characterized in New York banking circles as comparable to the crisis in South Korea a year ago. In fact, it is much worse, with exports falling, debt soaring, and no feasible means to reverse the situation. Despite the coup in Thailand by know-nothing fascist military men seeking to return the country to a Vietnam-era American military colony, foreign investors have been slow to return. Beneath the bulge in agricultural exports lies a stagnating economy in terms of long-term development. Only Singapore continued much as it has for the past several years, with no dramatic changes in any major indicators.

The most fragile feature of the superficially healthy trade picture for the ASEAN countries in 1976 was the substantial rise in exports for every country except the Philippines (see *Table A*). In reality (see *Table B*), most of the increases were registered with Japan and the United States which traditionally have accounted for the bulk of the region's foreign trade. However, these two

economies face the greatest difficulties in 1977 because of the mounting crisis of the dollar for the U.S., and the foreign trade dilemma which threatens to throw Japan into serious depression. Malaysia's increased exports were based largely on the 86 per cent jump in sales to Japan, an increase of \$373 million in the first eight months of 1976, and on a 23 per cent increase in shipments to the U.S. Indonesia and Thailand also registered most of their increases to these two countries. Even so, exports of two of the traditional mainstay commodities, tin and timber, were badly off last year's pace at midyear, with substantial gains registered only in rubber (see *Table C*).

Japan imported heavily from the region based on its short-term export boom, engineered at the expense of Europe and the U.S. That boom can not continue, as has been made clear to Japan, and with its passing will pass the export life-saver for ASEAN. Without very favorable export prospects, the ASEAN nations would under normal conditions face a grim year in 1977.

However, unlike, for example, the very limited options available to the Philippines when it faced a debt crisis in 1970 and reorganized its economy under International Monetary Fund direction, the nations of the region today have the option of integrating their economies into a fast-materializing new international economic order, emerging through an alliance of the Third World Non-Aligned nations, Europe and the Soviets. The economic boom imminent in these sectors of the world economy will provide not only an almost unlimited market for the ASEAN region's exports of raw materials; it will provide the basis for large increases in development project assistance to each country, to accelerate their stalled development programs. Already, Indonesia's President

TABLE A
INTERNATIONAL FINANCIAL STATISTICS
(figures from IMF)

	Exports (fob) mil. \$U.S.	Imports (fob) mil. \$U.S.	Trade Balance	Balance of payments-Current Account (goods, services, transfers) mil. \$U.S.	Change in Reserves ^a (Not of Capital Flows) mil. \$U.S.	Total Reserves mil \$U.S.	Consumer Price Index 1970=100
INDONESIA: 1975	6,888	5,464	1,424	-1,109	858	586	244
1976: 1Q	1,724	951	773	---	---	760	277
2Q	2,241	1,153	1,088	---	---	953	286
3Q	1,922	---	---	---	---	1,202	298
OCT	---	---	---	---	---	1,725	
PHILIPPINES: 1975	2,263	3,459	-1,204	- 923	16	1,360	203.4
1976: 1Q	501	1,017	- 516	---	---	1,538	209.8
2Q	702	923	- 221	---	---	1,679	213.4
3Q	---	---	---	---	---	1,626	217.4
MALAYSIA: 1975	3,775	3,334	441	- 186	- 63	1,524	142.2
1976: 1Q	1,127	849	---	---	---	1,672	144.5
2Q	1,264	898	---	---	---	1,938	144.9
THAILAND: 1975	2,177	2,837	- 640	- 608	- 51	1,775	152.0
1976: 1Q	744	780	- 36	---	---	1,910	157.5
2Q	730	820	- 90	---	---	1,896	158.2
JULY-AUG.	480	522	- 42	---	---	1,989	159.2
SINGAPORE: 1975	5,016	7,502	-2,484	- 749	- 410	3,007	164.7
1976: 1Q	1,460	1,994	- 534	---	---	3,129	163.9
2Q	1,571	1,913	- 342	---	---	3,227	161.0
ADDENDUM ^b							
PHILIPPINES:							
1975	2,182	3,232	-1,050	- 573	- 76	1,081	
1976	2,172	3,051	- 829	- 534	- 54	1,135	

a. In IMF reporting, an increase in reserves carries a minus sign, a decrease a plus sign.

b. These figures were published in the Far Eastern Economic

Review, Jan. 14, which was received just before press time. There was not time to reconcile the discrepancies with the IMF figures. However, the pattern in both sets of figures is the same.

Suharto has welcomed Soviet project assistance and maintained its standing in OPEC, while the Philippines' President Marcos has responded to the crisis in his country's debt payment situation by defining a more independent foreign policy than the country has had

since independence, and is now seriously threatening to break military relations with the United States and join the Non-aligned Nations. ASEAN's choice in 1977, outside of the anomalous regimes in Singapore and Thailand, will doubtless be to join the new world order.

TABLE B
ASIAN TRADE WITH U.S. AND JAPAN
Per Cent Increases (Decreases) 1976 From 1975

	<u>Exports to Japan and U.S.</u>		<u>Imports from Japan and U.S.</u>	
	Japan June-Aug. % increase (decrease)	U.S. June-Oct % increase (decrease)	Japan June-Aug % increase (decrease)	U.S. June-Oct % increase (decrease)
INDONESIA	13.7%	33%	-17.5%	30%
MALAYSIA	86.4%	23%	-15.3%	33%
PHILIPPINES	-38.6%	7%	10.4%	3%
THAILAND	22.2%	30%	4.1%	-20%
SINGAPORE	3.0%	37%	1.8%	-4%

Figures from U.S. Dept. of Commerce and Japan External Trade Organization

Note: On the import side for Indonesia and Malaysia, the discrepancy between the decrease in imports from Japan vs. the large increases in imports from the U.S. is accounted for by the difference in commodities imported. They import mostly

machinery from Japan, but a large amount of agricultural goods from the U.S. The other three countries, in contrast, do not import significant agricultural supplies from the U.S.

TABLE C
EXPORT OF KEY COMMODITIES
(Figures from IMF in U.S. Dollars)

	<u>1974</u>	<u>1975</u>	<u>1976*</u>
<u>Tin</u>			
Indonesia	175.4	133.7	120.2
Malaysia	606.0	482.0	548.8
Thailand	153.26	107.2	136.0**
<u>Rubber</u>			
Indonesia	479.2	360.3	488.0
Malaysia	1,150.8	810.4	1,111.2
Thailand	249.25	170.9	248.6
<u>Timber</u>			
Indonesia	716.0	501.1	381.6
Malaysia	616.0	444.4	312.0
Thailand	203.5	186.5	143.2

* 1976 are estimates based on analyzing actual figures from January-June for Indonesia, Malaysia and Philippines and from January-September for Thailand.

**Figures from Bangkok Post.