

*The following excerpts are from a Q&A session with Tharman Shanmugaratnam, Finance Minister, Singapore entitled "Asia can increasingly meet some of India's requirements" in an interview with The Business Standard India correspondent, Devjyot Ghoshal, as published on 26 March 2011:*

**How well has ASEAN recovered from the global financial crisis?**

ASEAN weathered the crisis quite well, as macroeconomic policies were in the right gear. We had significant improvement in fiscal balances prior to the crisis and this allowed ASEAN to go through without too much difficulty. Monetary policy has also been relatively sensible and exchange rates are, by and large, more flexible than five years ago, most of them on some form of managed float, rather than either fixed or pure floating. The macro policy mix has been appropriate and financial regulation and supervision vastly strengthened compared to a decade ago, when we had the Asian financial crisis. So, ASEAN is doing okay.

**Are there areas where ASEAN is still lacking?**

Well, it is the real economy integration — trade, investment and financial market integration. Trade and investment, I think, is now proceeding quite well and we are on pace to achieving an ASEAN economic community by 2015.

Financial market integration requires more work between regulators, as well as stock exchanges, and in getting a bond market infrastructure that makes it convenient for institutional investors to invest in ASEAN as an investment class, as well as investors in one particular part of ASEAN to invest very easily in instruments that are issued and traded elsewhere in the region.

**There are schemes such as the Chiang Mai Initiative which have been created for the region. Are you satisfied with the pace of the Initiative?**

It was set up to be a disciplined scheme, not one for easy money. That's why we agreed on a surveillance mechanism, which is new for East Asia. It will be centered in AMRO (ASEAN+3 Macroeconomic and Research Office, based in Singapore), and to have it run independently of any government, so that it builds up credibility and has a professional staff that are themselves credible.

That's a new process for Asia and countries have to get comfortable with it. It's not going to follow any particular model. We are not trying to follow a European model, for instance. We are doing it our own way: somewhat more bottom-up rather than top-down, putting in place the building blocks, one by one. It's a little slower, as a result, but I think it is heading in the right direction.

The Chiang Mai Initiative, however, is basically an insurance scheme, rather than a growth scheme. We have to pay a lot of attention at the same time to what generates growth. Strengthening intra-Asian integration in trade, investment and financial markets is still the big picture. The Initiative is one of the horizontals, if you like, some form of insurance each time you run into crisis.

**There has been discussion on whether India should join the Chiang Mai Initiative, as part of its broader integration process with the region. What are your views?**

My sense is that these things would become issues to be considered once you get greater and greater integration on the real economy side. Once India, for instance, concludes the FTA (services and investment agreement) with ASEAN, I think trade would start flowing.

There would be much more cross-border investments and mergers and acquisitions and the like. Then, it becomes more and more part of the same economic territory, and whether it's India or other countries in the Asia-Pacific that we should broaden the Chiang Mai Initiative to include would be a valid question. It has to be considered very carefully, because it's a new scheme and all parties should agree to the expansion.

**It has been a year since operationalisation of the India–ASEAN Free Trade Agreement. How do you view its progress?**

I haven't been tracking it closely enough, but my impression is that it has added momentum to what is a natural economic force, which is India and ASEAN complementarities leading to a lot more trade.