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Trade vs food security

by Malcolm Subhan

Farmers grow food. And without food we would all be dead. Farming, in other words, is a very different activity from making shirts or televisions sets or PCs, or operating a laundry or writing software. Life would be less pleasant without television sets, and work less productive without PCs; but we would manage. Without food and drinking water, however, there would be no need for shirts or television sets.

Clearly the same rules do not apply to the distribution of food as to the distribution of television sets and PCs. Market forces are quite capable of producing and distributing a wide range of goods and services. They are not very good when it comes to distributing food in developing countries. Take Burkina Faso. Nearly two-thirds of its population lives on less than \$1 a day. And some two-thirds of the population of Chad lives below the national poverty line.

Brazil, which led the revolt at Cancún against the agricultural proposal jointly tabled by the European Union (EU) and the United States (US), is much better off: only a quarter of its population has less than \$2 a day to live on. China, its ally in the Group of 21 (G-21), is less well off, with around half its population living on less than \$2 a day. In the case of India, another key member of G-21, the situation is much worse: two-fifths of its population has less than a dollar a day to live on, according to the World Bank's "World Development Report" for 2003.

In other words, a high proportion of the population of the G-21 countries cannot afford to buy all the food it needs on the open market. José Bové, the French farmer turned militant, claimed recently that the number of hungry people in the world now stands at around 850 million, and that 60% of them are farmers. For Michel Camdessus, the former managing director of the IMF, "the hunger in the world is a major scandal." He noted that between 40 million to 60 million Africans run the risk of famine.

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Given the data on poverty levels in developing countries, the obvious solution is to take steps to raise the purchasing power of the world's poor. This is what the Doha Development Agenda, which WTO trade ministers adopted in November 2001, seeks to achieve by liberalising world trade. If the United States stopped subsidising its 25,000 cotton farmers to the tune of nearly \$4 billion a year, world cotton prices, which have fallen some 60% since 1965, would recover. What is more, cotton farmers in Benin, Burkina Faso, Chad and Mali would be able to export more cotton to the EU and have more money to spend on food.

Perhaps they would – in the long run, during which time hunger and malnutrition would continue to take their toll of human lives. So what is the answer? It clearly starts with a recognition that food production cannot be equated with the manufacture of motor cars, for example. Pascal Lamy, the EU's chief trade negotiator at Cancun, has said as much himself. "In the case of agriculture, the real debate in the WTO is whether producing food is like producing tyres," he noted in the course of a no-holds-barred debate with José Bové, organised by the French weekly, "*Le Nouvel Observateur*"*.

Even more unexpectedly, perhaps, Mr. Lamy, also expressed reservations about the effectiveness of free trade. When Mr. Bové accused the European Trade Commissioner of "making free trade the main development tool," Mr. Lamy retorted, "I am not a free-trader." Opening up markets to international trade was a necessary condition for development, but only one of them. "If the other (conditions) are not met, then many countries are left to fend for themselves," Mr Lamy said.

At the level of the WTO, in other words, it is necessary to think globally. The Trade Commissioner appeared, in fact, to share Mr. Bové's view of the need for a global vision. "What's this world in which there is some sort of international trade minister, the WTO; a health minister, the WHO; a labour minister, the ILO; an agricultural minister, the FAO?" Mr. Lamy asked. He thought that "how to link all this" was "a basic question for the coming century." For a fleeting moment the Trade Commissioner felt that "another world is possible, but," he added, "it is not for today or tomorrow."

What is important, however, is not simply to negotiate better rules for international trade within the WTO. What is more important is to approach the problem of food production and distribution in the broader context of what the Trade Commissioner referred to at one point as "human progress." This requires the global approach which he envisaged, then rejected as unrealistic in the absence of a world government.

The starting point is an assessment of food needs around the world, whether they are being met, and how far they are being met. Such an approach values all human life equally. This is not the case when the focus is on agricultural subsidies, and how they are preventing farmers in Mali, for example, from exporting their cotton at an economic price. The European Agricultural Commissioner, Dr. Franz Fischler, made short work of such arguments in his tirade against NGOs and the governments of Brazil, China and India.

You will find it in his speech to the international press in Brussels, made a week or so before the WTO ministerial in Cancun. He dismissed the claim that the EU is "spending two dollars per cow" as not only "a nice PR-stunt," but also "intellectually dishonest (and) factually irrelevant." "Yes," he went on, "in the developed world we are spending money on many things. Not because we are all stupid, but because our standard of living is higher. What's next? Criticising governments for spending public money on hospital beds, costly noise protection walls or fancy trees in parks, instead of sending it to Africa?"

For Dr. Fischler, sending money to Africa is the job of his colleague, the Development Commissioner, Poul Nielsen; his own job is to "vigorously defend our right to support our farmers." Hence his anger at Brazil, China, India and others for their "extreme proposal...a record breaker" because "all reform and efforts are to be made by developed countries, hardly any by developing." For the Agricultural Commissioner, these countries were "circling in a different orbit...If they choose to continue their space odyssey, they will not get the stars, they will not get the moon, they will simply end up with empty hands."

Viewed from a purely European perspective, Dr. Fischler was right to castigate the developing countries. In an EU largely self-sufficient in food, agriculture has become multifunctional, and the farmer's role is to protect the environment and preserve the landscape for city dwellers. And he should be paid for taking on this new role. However, given the large number of people around the world who are going hungry, or face the risk of famine, a purely European perspective is no answer.

Nor is free trade. Market forces are not neutral; they are driven by the need for profit. As Mr. Lamy noted in his head-to-head with José Bové: "In a capitalist economy inequalities become greater, the strong become stronger, the weak, weaker." The answer at the international level is to stop treating food as just another commodity, whose effective production and distribution are best guaranteed by open markets. The answer is a global approach, in which all the actors in the international community, including the WHO, the FAO, the World Bank and IMF are involved. Mr. Lamy seemed to think that such an approach would result in total deadlock, in the absence of a world government. But the deadlock could not have been more complete than at Cancun.

The counterpart to action at the international level is action at the national, even local, level. Food production and productivity are very low in many developing countries. However, the action to be taken at the local level will go hand-in-hand with action at the global level, with the one reinforcing the other. A start could therefore be made in the World Trade Organisation itself. ■

* The French weekly, *Le Nouvel Observateur*, brought the two men together, and published their exchanges in its issue of 4 September 2003.

Asia-Europe relations - Forging a stronger partnership

by H.E. A Selverajah

1. We are today at the threshold of a strategic re-orientation of relations between the major powers. Besides the Transatlantic relationship, the Asia-Europe relationship will undoubtedly be one of the key relationships of this new century. Both Asia and Europe are today pre-occupied with our own internal regional developments and externally our relations with the US as the sole superpower. Although Asia is a diverse continent, a nascent East Asian Community is slowly emerging. But Asia is more than just East Asia. Links are also being constructed between East Asia and South Asia. The proposal to forge an India-ASEAN FTA is the beginning.

2. Europe is preoccupied with its enlargement and integration, and beyond that dealing with crises in its vicinity. While the East Asian Community is a looser concept, European enlargement and integration are more institutionalised, treaty-based and are developed on a common "*acquis communautaire*". Internal developments have consumed a great deal of energy, time and resources of both Europe and Asia.

3. Yet, Asia and Europe cannot afford to be inward-looking. Any realistic assessment of the future cannot but lead to the conclusion that Asia and Europe, together with North America, will remain the three most vibrant regions of this century. All three regions have a common interest in a stable, secure and prosperous international order based on multilateralism, strong international institutions and respect for international law. These provide the predictability and stability in which unfettered trade and investment flows can take place and which will help to raise the living standards of the peoples of all three continents.

4. To achieve this goal, we need strong engagement among Asia, Europe and America. Even if much of our resources, time and energy are consumed with internal challenges, it is imperative that we remain outwardly oriented. In its external relations, Europe is faced not only with the challenges of managing Transatlantic relations, but also with other priorities in its "near abroad", the Middle East, Ukraine and Russia, let alone forging a common EU Foreign and Security Policy. This poses the danger of Asia being pushed down the EU's priority list by default. But Asia and Europe are both important to each other. Trade and investment flows between our regions are enormous.

5. However, a long-term partnership cannot just be based on pure economic exchange alone. Otherwise, we risk forging a purely mercantilistic relationship which will wax and wane in tandem with our economic interests. We will fall into the trap of viewing each other as merely fair-weather friends whose interest in each other is only sustained so long as there is financial and economic gain. It will also be a relationship nurtured and sustained only by the business community. While economics should be an important criterion in our relationship, to sustain a longer-term partnership, we need to work on other dimensions, namely, the strategic and the cultural, educational and people-to-people relationship.

6. Strategically, Asia will always remain important for a stable world order. Today, many of the potential flash points in the world are still in Asia – the problems of nuclear proliferation, Korean Peninsula, India-Pakistan tensions, potential crises in the Taiwan Straits and South China Sea, ethnic conflicts and transnational issues such as terrorism post-11th September 2001, drug trafficking and illegal immigration. Any of these has the potential to erupt into a major catastrophe that will affect not only Asia, but also Europe. Moreover, like Asia, Europe has an interest in a stable and secure world order based on multi- and not uni-polarity. In any multi-polar global balance of power, one cannot ignore the role of China, India or Japan. This therefore behoves Europe to take a greater strategic interest in Asia.

7. Singapore and most of our friends in ASEAN view Europe as an important global heavyweight and stabiliser, just as we see the US. However, structural and institutional constraints, coupled with limited defence spending, are inevitably lending credence to the criticism we often hear about Europe – an economic giant but a political dwarf. Unlike the US, which has consistently taken a strategic interest in Asia since the end of the Second World War, Europe's interest in Asia is confined to specific issues like human rights, democracy and the provision of developmental assistance. While these are important and legitimate areas of concern, barring a strategic vision, they can only lead to a sporadic and peripheral interest in Asia.

8. Unless a strong political will and the strategic *raison d'être* to do so exist, it will not be easy for the EU to strategically engage a continent as diverse as Asia. But the risk of not doing so is to produce a weakening of the Asia-Europe relationship or confining it to a purely one-dimensional relationship. The consequence of this is that while European businessmen may remain interested in Asia, European politicians, intellectuals, strategic thinkers, educationists, artistes and others will continue to retreat from the region. Over the past few years, we have already experienced difficulties in getting European Foreign Ministers to participate fully



even in the forums that were created specifically to strengthen Asia-Europe relations such as the ASEAN-EU Dialogue and ASEM. This has led the Asians to question whether the Europeans are seriously interested in Asia, beyond economic engagement.

9. Unless the Europeans are convinced that it is important for Europe to engage Asia strategically, we face the prospect of further loss of interest in these important dialogues. This can only be to the detriment of the long-term relationship between Asia and Europe. The economic dimension of the Asia-Europe relationship must therefore be complemented with a wider strategic interest and a third dimension, namely, stronger cultural, educational and people-to-people links. We risk underestimating the importance of this third dimension which is critical if we are serious about the need to take a long-term view. Whereas in the past, many Asian students studied in Europe, today, a disproportionately large number of Asian students are educated in the US.

However enticing the prospect of an education in the US, we need to find ways to get younger Europeans to study in Asia and likewise more Asians to study in Europe. It is important that the younger generations of our two regions have these opportunities to do so, so that they would not be ignorant or have pre-conceived biases about our respective regions when they move up to take up positions of leadership and responsibility in government, business and society in their country.

10. Some initiatives are already being taken in this field through the setting up of the ASEM Duo Fellowship programmes, the ASEM Education Hub and Erasmus World. However, more effort and resources need to be devoted both by our governments and universities to ensure this. To supplement the educational exchanges, we should also encourage more cultural exchanges between Asia and Europe so that both our regions can benefit from the enormous cultural diversity and heritage that Asia and Europe collectively possess. Such exchanges will help to foster better understanding and appreciation between the peoples of the two regions.

11. Whatever the future global strategic reorientation post-Sept 11, Asia and Europe will continue to remain important players and we will need to engage each other more strongly, just as both regions have a common interest in a strong engagement with the US. As European integration gathers more momentum, Asia will have to increasingly look at Europe as one integrated bloc. But Europe may have the inclination to prioritise Asia in the context of its relationships with China, India, Japan and the rest of Asia in that order. However, it is important that Europe also views Asia in the wider context because many of the challenges and problems facing Asia are also inter-related. Moreover, new problems of weapons of mass destruction,

terrorism and other transnational issues transcend many countries and cannot be resolved by taking a country-specific approach. It is in Europe's interest to develop a deeper strategic interest in Asia that spans East Asia (including South-East Asia), South Asia and West Asia. It must also be a partnership premised on a three-dimensional relationship built on strong trade and investment flows, shared strategic interests and closer educational and cultural exchanges and people-to-people links. Only through such a broad-based relationship can we build a strong and sustainable Asia-Europe partnership for the long term. ■

H.E. A Selverajah is Ambassador of Singapore to the European Communities, Belgium, the Netherlands, Luxembourg and the Holy See. These are his personal views.

A Holistic Re-Invigoration? The EU's New Partnership with South-East Asia

by Dr Georg Wiessala

In July, the Commission published its new blueprint for the development of relations between the European Union (EU) and South-East Asia, including the Association of South-East Asian Nations (ASEAN). Origins, timing and content of this new communication raise a number of significant points about the current state of affairs in the relationship between the EU and Asia. This short article attempts to put the new paper into some context, by tracing some of its origins and by identifying recent developments in the field of EU-Asia relations which have impinged on it.

The Commission's new concept paper is entitled *A New Partnership with South-East Asia*. It proposes six 'strategic priorities': (1) stability and the fight against terrorism; (2) human rights, democracy and good governance; (3) Justice and Home Affairs (JHA) issues; (4) a revival of trade and investment; (5) poverty reduction and (6) dialogue and co-operation in specific policy areas. The suggested 'menu' for collaboration in these areas is wide-ranging and includes science and technology, R&D, the environment, culture and higher education, energy, transport and information technology. The basic structure and thrust of the new strategy can be derived from the 'core objectives' and political commitments contained in the Commission's earlier communication *Europe and Asia: A Strategic Framework for Enhanced Partnerships* of 4 September 2001. In this



document, which was in itself an update of the Commission's 1994 *New Asia Strategy*, the Union Executive stressed the need to 'amplify' the framework of the EU's overall Asia policies by means of specific, 'sub-regional' foci, a trend the new communication now continues. In this context, the 2001 paper had described EU-ASEAN relations as a 'key priority' and a 'constant' factor of EU-Asia political and security dialogue, whilst putting a particular accent on the need for EU-ASEAN educational, intellectual and cultural links and dialogue with individual countries in the region such as Indonesia.

The new paper on South-East Asia is further rooted in the *EC-ASEAN Co-operation Agreement* of 1980 which the new Communication describes, rather dismissively, as: "an old regional agreement with no realistic prospect of re-negotiation but still providing a rather useful - though incomplete - framework for co-operation". The concepts contained in the Commission's 1996 Communication *Creating a New Dynamic in EU-ASEAN Relations* have also been fed into the new document, as have the remarks on ASEAN-EU made by External Relations Commissioner Chris Patten at the *ASEAN Post-Ministerial Conference* in Hanoi on 26 July 2001. Moreover, the new communication builds on the bilateral, so-called 'third-generation' agreements between the Union and some of its Asian partners (e.g. Cambodia, Laos and Vietnam) which contain human rights-, or 'essential element-' clauses. A *New Partnership with South-East Asia* also recalls the Commission's individual 'country strategy papers' on countries in the region (e.g. Thailand, Cambodia, Lao PDR), published from 2002 onwards.

The new South East Asia Communication comes at a time when the parameters of the overall EU-Asia dialogue are changing. Throughout 2003, the legislative review of Council Regulation 443/92, covering Asian and Latin American countries (the *ALA-Regulation*) was in full swing and became a controversial issue, as contributions to previous issues of *EurAsia Bulletin* demonstrated in some detail. In particular, the review reinforced concerns about the rationale of creating a common legislative framework for two very diverse and heterogeneous world regions. Observers also pointed to the links between the EU's development aims in Asia and its more overtly political and human rights agenda, and to issues surrounding the scope of Parliamentary scrutiny involved in the process.

The proposed changes to EU legislation aside, there can be little doubt that the international geopolitical situation and the 'war against international terrorism' has welded the EU and Asia closer together than ever before. By the time *A New Partnership with South-East Asia* came out, security issues and terrorism determined much of the agenda of international co-

operation in the same way as they had dominated deliberations at ASEM 4 in Copenhagen. Concerns about the new 'hyper-terrorism' will also loom large over the APEC summit in Bangkok later this year. The bombings in Bali in October 2000, the attack on the *Marriott* Hotel in Jakarta on 5 August 2003 and the arrests and trials of alleged *Jemaah Islamiyah (JI)* members in Indonesia were, no doubt, catalytic - as well as cataclysmic - events in the context of the development of the EU's Asia policies. They were not only critical in regard of the EU's developing relationship with Indonesia; they changed the landscape of EU-South-East Asia relations forever.

But the EU's new concept paper also owes much to the Union's relationship with the Association of South-East Asian Nations (ASEAN). EU-ASEAN ties have been flagging for years now. Many analysts have begun to see the alternative channels of Euro-Asian dialogue, such as the ASEM forum, as a counterweight to declining trade and investment relations between the EU and ASEAN. And, in spite of the reams of academic papers published about degrees of economic integration in ASEAN, the desirability of region-to-region dialogue, regional co-operation ambitions, and the lessons of EU integration for ASEAN, a number of intractable problems still weigh down EU-ASEAN talks. Burma's participation in ASEAN, or the human rights record of the State Peace and Development Council (SPDC) are but two related examples.

However, pertinent questions are now also being asked about whether or not ASEAN should begin to take more political responsibility, for Burma in the first instance and subsequently in a wider regional context. The comments by Malaysian Prime Minister Mahathir Mohamad about a possible expulsion of Burma from ASEAN astonished many observers in Asia and Europe, since it had been Mahathir who had strongly advocated Burma's ASEAN membership in the first place back in 1997. But his remarks, as well as ASEAN's unprecedented statement on Burma during the meeting of the ASEAN Regional Forum (ARF) in June 2003, have been widely interpreted as further signs that the days of the ASEAN diplomacy of accommodation and non-intervention may be numbered. Present and future challenges may yet require a reformed approach, aiming at more engagement, persuasion and integration within ASEAN.

On a more general scale, there is a consensus amongst policy makers that ASEAN is lacking a better defined agenda, or a vision of its mission. Observers point out that the grouping finds itself caught up in a prolonged identity-crisis and needs to 'revitalise' or 're-engineer' itself. Terrorism, a number of unresolved territorial disputes in the region and nuclear tensions emanating from the DPRK have all meant that calls for a new ASEAN security community are becoming louder.



There is, however, considerably less consensus about how the grouping should respond to these challenges, and how it could re-fashion its own identity. These issues have been partly addressed by ASEAN's visions for an ASEAN Economic Community (AEC) by 2020. They will not only inform the deliberations at ASEAN's annual summit in Bali in October, but will, in the longer term, also affect the entire spectrum of the European Union's relations with South East Asia.

So does the new communication really represent a new beginning in EU-ASEAN relations? Sure enough, in the context of bureaucratic de-concentration and the inauguration of new Commission Delegations to the region (Cambodia, Laos, Malaysia, Singapore), the new policy puts forward an enhanced 'visibility strategy' of the EU in Asia. This should be seen as a welcome attempt to breathe new life into the Union's relations with ASEAN. It also seems overdue, given problems like the renewed detention of Aung San Suu Kyi on 30 May 2003 and the spectre of terrorism in India, Indonesia and elsewhere. Next to an enhanced EU presence, the *EU-ASEAN Trade Initiative* (*TREATI*) proposed by the Commission's paper, constitutes a potentially constructive new dialogue mechanism covering economic aspects of the relationship. In addition to this, the new Commission communication holds out the prospect of enhanced bilateral contacts. It does so within a 'menu' of subjects, aiming to transcend a 'one-size-fits-all' approach to ASEAN. On this menu, counter-terrorism and human rights have assumed a particularly prominent position.

Although described by the Commission as a 'modern' and 'holistic' development of EU-South-East Asia interaction, the paper appears, on the whole, less culturally sensitive, especially when compared to earlier Asia strategies. It appears, in particular, to perpetuate a number of unquestioned assumptions about 'common features and values' or 'shared commitments' between the two continents (e.g. in regard of wide-ranging regional integration, the global trade agenda or human rights). The desirability or reality of these visions, consistent as they are in the context of the EU's foreign or development policy, have been contested and are subject to continued debate in mid-2003. Consequently, the area of educational, academic and cultural co-operation, although featured in the new strategy, appears in a rather de-emphasised manner. It is difficult to avoid the conclusion that, for the time being, these matters have been overtaken, and overshadowed, as it were, by larger, inter-regional, security concerns.

While the jury must still be out over weighting, ideological underpinning and ethos of *A New Partnership with South-East Asia*, the communication takes a significant step forward in another respect: it provides clearer distinctions of the 'bilateral' and the

'inter-regional' spheres of EU-South East Asia co-operation. The paper envisages 'region-specific' subjects to be dealt with through the ASEAN-EU dialogue, more 'global issues' by the Asia-Europe Meetings (ASEM), and issues of 'preventive diplomacy' and 'conflict resolution' via the ARF. This represents a practical attempt to clarify and categorise competencies amongst the 'alphabet-soup' of EU-Asian networks which are now active. In so doing, the Commission is at last beginning to address concerns about 'overlap', 'over-institutionalisation' and 'forum-fatigue' which have become all too apparent in the political and academic debate of the future of Asia-Europe relations.

In conclusion it can be said that the Commission's new concept paper on South-East Asia is informed by the spirit of an overdue modernisation and reinvigoration of EU-ASEAN ties. There is plenty of 'goodwill' here. The communication also attempts to give some direction to the future work of competing fora linking Asia and Europe, such as ASEM or the ARF. The EU's efforts towards combating organised crime and terrorism, and fostering more democracy and human rights loom large in this paper, and the Commission is on target in calling for intensified collaboration in these areas; the recent bombings in Indonesia and developments in Burma have borne out its approach and further highlighted Euro-Asian global interdependencies.

The Commission's more forceful emphasis on human rights and 'good governance' is a logical extension of both the Union's self-perception and its more assertive ethical emphasis in its foreign and development policies. The strategy of seeking to link trade and investment issues more strongly to the 'essential element' of human rights protection fits well into the overall democracy promotion agenda of the Union, both on a global scale and in Asia. On the whole though, previous communications on the region proved considerably more sensitive to a more dispassionate exploration and appreciation of divergencies in values and cultures between Europe and Asia. Last, but by no means least, given the priority which education received in other Asia communications, and the very substantial track record of EU-Asia cultural, academic and educational exchange to date, the lack of prominence afforded to these matters in the new paper is somewhat surprising. ■

Dr Georg Wiessala is a Reader in International Relations in the Department of Education and Social Sciences of the University of Central Lancashire in Preston, UK.

He has published widely on the subject of EU-Asia relations, including *The European Union and Asian Countries* (2002).

Europe on the eve of enlargement: unity and disunity

by Dr. Kantathi Suphamongkhon

A few years ago the European Union Commissioner for External Relations, Chris Patten, described the EU as “an economic heavy weight and a political feather weight.” Some of us are hopeful that this fifth enlargement, as well as the speed and depth of the development of the EU’s common foreign and security policy, may help ensure that we do not have a unipolar world. But how smooth will this ride into the future be for the EU? I expect bumpy roads.

I have witnessed many contradictory developments in the world in my lifetime – the integration of the European Union; the disintegration of the Soviet Union; the re-unification of Germany; the disintegration of Yugoslavia; the disintegration of Czechoslovakia and Scotland’s desire for more autonomy from London

We have seen integration and fragmentation happening at the same time in Europe. These concurrent movements in opposite directions were described as the phenomenon of “framegration” by Professor James N. Rosenau, a leading American scholar of international relations. Today, we are on the eve of the EU’s fifth enlargement. With 25 members, the EU will have a population of over 450 million. Its gross domestic product (GDP) will be larger than that of the United States, at \$9.2 trillion, as compared to \$9.1 trillion for the US.

Yet contradictory forces will continue to co-exist, as in the past. Unity and disunity seem to go hand in hand. The accession of 10 new members to the EU on 1 May 2004 is undoubtedly a milestone for a unified Europe and a unified European market. Nevertheless, even with this strong momentum for unity, the Iraq war has demonstrated how difficult it is for the members of the EU to stand together on a common position.

US policy on Iraq has divided Europe. As if to emphasise this division, the terms “old” Europe vs “new” Europe were coined in Washington. Many of the 10 new countries joining the EU next year sided with the US and the UK on Iraq, against France and Germany. Although this divide seemed deep at the height of the crisis, the wounds are likely to heal sufficiently as time passes, providing that there is no further disagreement on post-war Iraq policy.

Nevertheless, the Iraq war is unlikely to be the only event that divides the EU. I expect the EU to see challenges to its unity come in different ways and forms. Challenges can originate externally, like the US action in Iraq. They can also come from within the EU itself. For example, France and Germany are likely to breach the convergence criteria’s 3 percent budget deficit ceiling in 2004. I expect other members to also have problems with the convergence criteria in times of economic difficulties.

Indeed, the debate on the new and first EU Constitution has, in itself, created deep internal divisions. Agreement on a decision-making mechanism will be difficult to achieve, yet the enlarged EU will desperately need one. Everyone agrees that the decision-making structure should be simpler, more efficient, more democratic and more transparent. There is, however, no agreement on how to achieve this goal. Which types of decisions will still require consensus among all the members, and which will require a qualified majority? What is the definition of a qualified majority? How can the EU ensure that integration does not mean domination of smaller states by the bigger ones, or the other way round? Will the present system, under which the presidency of the EU rotates every six months, be appropriate for an EU of 25 members? The formulation of a common defense and foreign policy will continue to be difficult, and even impossible on some issues.

A marriage between two parties is hard enough. A marriage between 25 countries with different cultures, different languages, different economic developments, different priorities and some with dramatically different pasts, will require a very strong glue. Indeed, some people are beginning to wonder whether this 25-party marriage is a catholic marriage? Are divorces possible? What are the rules and procedures for a divorce? The EU is clearly travelling in uncharted waters, and so many challenges will come up during the trip.

EU enlargement means opportunities as well as challenges for Asia. My views naturally reflect the fact that I am looking at issues from the Thai perspective.

Let us first look at the good news. As a very large market, the EU will have tremendous purchasing power in the world. There will be added opportunities for Thailand to increase its exports to the EU.

Some Thai exporters will naturally benefit from the lower EU tariffs as compared to the existing individual tariffs of the Ten. A standardised EU of 25 members will make export from Asia easier. The harmonisation of regulations and standards will ensure freer circulation of goods and services. A single set of trade rules, a single tariff and a single set of administrative procedures will apply. An enlarged EU will create



more opportunities to increase two-way investments with Thailand. Thai firms, large or small, should pay more attention to investments in Europe and join strategic alliances with European firms.

Now let us look at some of the not-so-good news. Existing and new EU members will be tempted to favour more intra-EU trade, at the expense of imports from non-EU countries. Agriculture will be a major problem. As we have seen in Cancún, the developing countries feel strongly that the EU's reform of its Common Agricultural Policy (CAP) has not been far reaching enough so far. The decoupling of support from production has not been comprehensive, and it has not been supplemented with concrete reductions on support and subsidies for European farmers. If left as it is, developing countries will be hurt further when the 10 new members join the EU, as most of them are expecting substantial EU agricultural support through the CAP.

Thai exporters in many sectors, including agriculture, textiles, garments, shoes, leather and electronic products, are likely to be at a distinct disadvantage when it comes to competition from the new EU members, given all the advantages the latter will enjoy from being inside the EU.

Thai exports of such products as rice, tapioca, flour, textile, garments, vans, pick-up trucks, shoes, iron and steel, radio and television sets at present enjoy low tariffs in some countries in Central and Eastern Europe; they will be faced with substantial tariff increases once these countries join the EU. For example, Thailand presently enjoys zero duty on its rice exports to Poland, but this will increase to 200 percent once Poland enters the EU. Thai canned tuna and canned pineapple enter the Czech Republic duty-free at present, while the EU tariff on these items is 24 percent.

Existing EU members, as well as countries from around the world, will have greater incentive to invest in the new EU members, taking advantage of the enlarged single market, potentially decreasing investment flows to other regions, including Asia.

Yes, EU enlargement will present opportunities and challenges when it comes to relations between states from Asia and Europe. Both regions must continue to work closely together to have a win-win situation. Inter-regional business partnerships must be fostered with added vigour.

However large the EU market becomes next year, the market in South-East Asia will still be even larger. Thailand has a population of 63 million. The Association of Southeast Asian Nations (ASEAN) has a combined population of 500 million, enjoying free trade under the ASEAN Free Trade Area (AFTA). ASEAN is negotiating with China for an ASEAN-

China Free Trade Agreement (FTA). Thailand is also negotiating with China on a bilateral FTA. In fact, there will be a free trade agreement on fruits and vegetables between China and Thailand this October.

Thailand is also discussing the possibility of creating bilateral FTAs with selected countries around the world, such as Australia, China, South Korea, Japan and India. We expect to see the completion of FTA negotiations with Australia this October. The Prime Minister of India will fly to Thailand in October to sign the Thai-India FTA. Thailand signed an FTA Framework Agreement with Bahrain last December. It is also discussing the possibility of having a Free Trade Agreement with the United States of America, Chile, Peru and the Mercosur countries.

This means that Thailand and other countries in South-East Asia can serve as a hub and a gateway for European businesses into a very large market indeed. For example, European companies, including small and medium-sized enterprises (SMEs), can enjoy the fruits of our FTAs by investing in Thailand and exporting to our FTA partners.

Thailand is also working with its neighbours to improve regional transportation and communication links. This includes the East-West corridor linking India and Myanmar to Thailand, and Thailand to the Vietnamese port of Da Nang, through Laos. We are also working on a north-south axis, with road and rail connections from China's Yunnan province, passing through the Mekong countries, through Thailand and down to the Malay Peninsula. As you can see, this comprehensive linkage of infrastructure will facilitate trade, investment, finance and tourism throughout Southeast Asia and beyond.

The government of Thailand has a proactive policy, having learned the lessons from our 1997 economic crisis. Thailand's Dual Track Policy of strengthening the Thai economy from within, enlarging the domestic market, as well as promoting international trade liberalisation at the bilateral, regional and multilateral levels will help to ensure that Thailand is an attractive and constructive player in the international trading system. We want Thailand and our neighbours in Asia to be attractive partners for our friends in Europe.

With this aim in mind, Thailand initiated and hosted the first two Asia Co-operation Dialogue (ACD) meetings. The ACD is the first Asia-wide forum for Asian countries from the Middle East and East and Southeast Asia to meet in a non-institutionalised and informal setting, in order to discuss ways and means of working together to enhance regional economic development. This hopefully would result in increasing the ability of Asian countries to be constructive partners with our European friends.



In conclusion, an enlarged EU will bring opportunities and challenges to the relations between Asia and Europe. We must work together to maximise mutual benefits and to minimise the negative side effects. The key to this is for countries from both regions to work closely together to form effective strategies. Our relations should be multi-dimensional. Thailand, for example, must actively work with Europe at the EU level. We must also work closely with each individual member of the EU. We must also work closely with the EU at the people-to-people level, as well as at the level of our private corporations, including our SMEs.

The relationship between Europe and Asian countries should no longer be one between aid givers and aid receivers. We want Asia to develop in order to be a true partner with our European friends, so that we can work together and win together in our present world of globalisation, a world that contains the ever-enlarging European Union. ■

Dr. Kantathi Suphamongkhon is the Thai Trade Representative and special envoy of the Prime Minister. This is the text of the speech he delivered at the 6th Europe Asia Forum in Brussels on 19 September on "Asia-Europe Partnership: new challenges and new responses."

Rethinking EU development policy in India

by Mitakshara Kumari

The subject of development aid was never more controversial than it is today. Changing geo-political scenarios have encouraged a lively on-going debate on not only the volume of development assistance but also its usefulness and its very objectives.

Perhaps the widest cross-section of basic development issues facing the world today are to be found within India. This is because the country consists of several economic and social strata, which do not necessarily cohere; that is to say, a relatively prosperous area may have the worst social development indicators. Economic prosperity, in other words, does not necessarily mean a better quality of life, even when the prosperity has been engendered by development assistance.

Development co-operation between India and the European Union (EU) is aimed at poverty reduction, in line with the provisions of the 1994 co-operation agreement between them. The strategy to be followed is set out in the European Commission's EU-India

country strategy paper, covering the period 2002-2006. EU development assistance is aimed at supporting the Indian Government's development targets, as outlined in its tenth Five Year Plan. These are to reduce the proportion of those living below the poverty line from 26% to 10% of the population, and raising the literacy rate from 54% to 80%. The 1990s witnessed three qualitative shifts in the nature of EU development aid to India. They generally reflected international trends in aid flows, and the introduction into the terminology of donor countries of terms such as "participatory approach," "local ownership" and "sustainability." The first of these shifts was from project aid to sector-wide support programmes.

While individual projects deliver their immediate goals, they are not significant in development terms when it comes to sustainability and long-term policy reform. Sector-wide support programmes, on the other hand, are more coherent because they do not concentrate on individual activities alone but approach the sector in question in a holistic manner, in co-operation with the government and other implementing bodies. Support programmes also ensure that the beneficiary countries can concentrate on their own development agendas.

The EU thus undertook to support the Indian Government's national programme to provide universal primary education, the District Primary Education Programme (DPEP), contributing some €150 million to it up to December 2002. It also supported the Government's health and family welfare programme, to which it has contributed €67 million since 1998. These programmes use indigenous expertise and have increased local ownership. Consequently they have greater chances for self-generation and continuity after the main aid period expires.

The problem, from the viewpoint of donor countries, is that as their funds cannot be earmarked, the manner in which they are utilised is not always evident, a point made by the European Court of Auditors in its review of the effectiveness of the European Commission's management of development assistance to India. The donor must therefore either have greater faith in the ability of the implementing body to administer the funds effectively, or set up financial reporting schemes in a context of greater transparency.

The second qualitative shift is towards building partnerships with individual states of the Indian Union. The rationale for this shift is set out very clearly in the strategy paper on co-operation with India between 2002 and 2006. It is based on the 'discrepancies between the economically vibrant south and west (of India) and the less dynamic areas in the north, centre and east'. EU policy, in other words, is to seek to enter into partnerships with 'reform minded' states. This is



in line with the findings of the World Bank and the IMF; their studies suggest that aid has been unsuccessful, by and large, in inducing policy changes, and hence should be directed towards countries/regions which already have a sound policy environment.

The European Commission envisages a pooling of resources with a view to developing an aid package for the Indian state chosen for partnership. This approach can also be justified on the grounds that while the Central government is responsible for setting out policy parameters for social and economic development, it is the state governments that control 90% of development resources. What is more, given the complexity of the political and administrative situation in India, local support becomes imperative for the success of programmes on the ground.

What these changes mean in practice is a shift away from helping the poorest sections of the Indian population in the poorest states. The states most favoured by aid have usually been the economically dynamic and more prosperous states of Andhra Pradesh, Gujarat and Tamil Nadu, followed by Orissa and West Bengal. Per capita development aid to Bihar, generally seen as one of the poorest states, is the lowest, along with Assam.

The third and last shift in the EU's development aid policies, viewed in the Indian context, is the growing importance of non-governmental organisations (NGOs). India is the largest recipient in Asia of funds allocated by the EU to NGOs for co-financing their projects, and the second in the world after Brazil. The EU is currently providing some €120 million to NGOs for the implementation of more than 170 projects. Nearly 50% of this amount (€ 57 million) is committed to four large NGO projects from the development budget.

The sector-wide approach also seeks to integrate the expertise of local NGOs with the government's capacity at the level of institutions and implementation, although there is a possibility of a conflict of interests here. The need to choose the right NGOs is an important consideration therefore. Service-oriented organisations have a limited influence here, while NGOs that work by raising awareness levels in disadvantaged groups, and engage in capacity building exercises, are more relevant for the European Commission's purposes. However, while the Commission's co-operation strategy for India places increased emphasis on co-operation with individual states, a similar focus on civil society organisations is missing. ■

Ms Mitakshara Kumari was an intern in the EIAS, before proceeding to the University of Sussex for graduate studies.

The shifting geopolitics of the East Asia region

The challenges and uncertainties facing Asia were analysed by Dr Eric Teo, of the Singapore Institute of International Affairs, in a talk he gave at the European Institute for Asian Studies on September 9.

China's emergence as the centre of geopolitical trends in East Asia was related to the three goals and three confidences that the Chinese leadership supports. The goals are stability, growth and reform. Significantly, reform comes last, Dr Teo noted. The three confidences related to the development of the economy, the stabilisation of the political system and the normalisation of the external environment. The Chinese economy, according to the Asian Development Bank (ADB), was expected to grow by approximately 7% this year, as compared to 2002. The government believes that it needed growth in the 7-8% range, if the economy was to absorb some 8 million new entrants to the labour force annually.

Dr Teo examined the five challenges facing China. The first was the need for a smooth political transition from the third political generation to the fourth. President Hu Jintao's adequate handling of the Severe Acute Respiratory Syndrome (SARS) outbreak has allowed him to make his political mark. China's drive for modernisation was the second challenge. Beijing was using its membership of the World Trade Organisation (WTO) to stimulate this process. The concepts of 'go West' and social balance represented the third challenge. In order to balance the rapid economic development of the coastal regions, Beijing would push hard in the coming years to transfer populations to western China. The fourth challenge stemmed from the two international 'showcase' events that China hopes will bring it enormous prestige. They were the 2008 Olympic games in Beijing and, two years later, the World Exposition in Shanghai. The fifth and final challenge was the need to maintain internal and external stability.

Maintaining stability was of the utmost importance to the Chinese government, Dr. Teo pointed out. Hu Jintao was using a more discreet style of diplomacy than his predecessor, Ziang Zemin, for this purpose. The government was seeking in Central Asia the vast amounts of oil and gas which the country's economy required. Now increasingly outward looking, China was also seeking to rebuild its international image, after the SARS crisis, during which the government was seen to be hiding key facts from the World Health Organisation (WHO). A final feature of the desire for stability was Beijing's efforts to repulse the Bush Administration's attacks on multilateralism and the

concept of a multi-polar world, but without officially claiming to be building a coalition to counter them.

For the Beijing government, the country's external environment began at its northern, western and southern boundaries. On the northern front, Sino-Japanese ties represented the biggest problem, even while Sino-Russian relations were going through a period of *rapprochement*. The rearmament of Japan and the rise of militarism were major concerns when allied to Japan's role in the North Korean crisis. The western front had changed significantly since the fall of the Soviet Union, however. Dealing with all the Central Asian 'stans' individually had become more complicated with the arrival of the United States in the region. In an attempt to counter this strategic threat, Beijing had placed a lot of emphasis on the Shanghai Co-operation Organisation (SCO), even though the rhetoric may be more important than concrete results. China's worries about the situation on its southern front resulted from the risk of economic instability of countries such as Indonesia, which could affect China's growth.

The increase in the size of the middle class, estimated at 120 million, or 10% of the total population, had important consequences for economic growth and domestic consumption. Meanwhile, the growing number of young people was reducing the pervasive influence of the Communist Party on peoples' lives, not least through cultural power and access to the outside world. While the middle class may be relatively content, the Party was worried about rising social inequality, the result of its experiment with a form of capitalism, on the one hand, and corruption by State officials on the other. The recent demonstration by half a million people in Hong Kong, over Article 23 of draft legislation, must have come as a big shock to the Party in Beijing. The growing number of demonstrations by the unemployed, and the feeling of instability this engenders, must hinder Beijing's attempts to woo back the Taiwanese.

Japan and South Korea were the largest economies in North-East Asia. Japan no longer had the same geopolitical presence, however, and would need the innovative skills of a younger generation to re-shape the country. The rise of the '386 generation' in South Korea (aged 30-40, began working life in the 1980s, born in the early 1960s) had complicated relations with the United States, as it was more likely to favour *rapprochement* with North Korea and was increasingly nationalist in sentiment with regard to Japan. The crucial question for the future, in Dr Teo's view, was who would lead East Asia; China or Japan? The Japanese saw China as a growing threat, and therefore maintain their alliance with the United States. Beijing hoped the economy would have quadrupled in size by 2020. Nationalist sentiment was also on the increase, particularly in relation to Japan.

In South-East Asia, ASEAN was facing several structural problems. Its enlargement had brought with it the thorny problem of Myanmar, which was hindering ASEAN-EU relations. For Dr Teo, the timing of Myanmar's entry was inappropriate. The fragility of some democratic institutions within ASEAN was highlighted by the recent military mutiny in the Philippines. The next two years would see big changes within the five original ASEAN countries. The Malaysian President, Mohammed Mahathir, would step down, with elections scheduled for November 2004. In April 2004, there would be both presidential and congressional elections in the Philippines. Between August and October 2004, Indonesia would hold legislative and presidential elections. In Singapore, Prime Minister Goh Chok Tong was due to step down and his deputy would lead the 2005 elections. Finally, the Thai Prime Minister, Thaksin Shinawatra, had said that he wished to run for a second term in February 2005. If the future was not a period of political turbulence, it clearly would be one of uncertainty.

Terrorism had struck a chord among Asians, for whom the reference point was not 11th September 2001, as it was for the Americans, but 12th October 2002 and the Bali bomb attacks. The Asian world, Dr Teo stated, was abruptly shaken. The Bali attack targeted Westerners and sought the collapse of the regional tourist economy. By breaking the link between security and the economy, the terrorists hoped to establish an Islamic Caliphate throughout South-East Asia, with a Muslim population of 250 million. In contrast, the rise of political Islam was a slow process which had increased in recent years. However, the actions of the United States after 11th September made it harder for moderate Muslims, who were the vast silent majority.

The integration of East Asia could take place through three different models, in Dr Teo's view. Free trade agreements could unite ASEAN with China, Japan and South Korea to create a market of 1.8 billion people. A second option would be for Tokyo to use the yen it currently holds in US Treasury bonds for regional development projects. The third model was the Asian Development Bank Institute's "flying geese" concept, with Japan leading, followed by South Korea, Taiwan, Singapore and Hong Kong, then Indonesia and, lastly, China. The economies of the countries at the rear are the least industrialised.

However, the leaders of East Asia clearly lacked the political will for regional integration comparable to Europe's Monnet or de Gaulle. The historical legacies of regional wars and colonialism were surfacing among the regions' youth in the form of a heightened nationalism. Finally, East Asia would not develop until it re-ordered its relations with the United States. ■

This summary of Dr Teo's speech was prepared by *EurAsia Bulletin*.



EU trade dispute with South Korea reaches WTO

After agreeing to implement countervailing duties on imports from South Korea of Dynamic Random Access Memory (DRAM) computer chips, the European Union now faces legal action at the Geneva based World Trade Organisation (WTO) for alleged violations of multilateral regulations. The EU Council of Ministers adopted provisional anti-subsidy levies in April quickly followed by definitive measures in August. This prompted the Seoul government to request “consultations” at WTO level for inconsistencies in the EU’s interpretation of the Agreement on Subsidies and Countervailing Measures.

The introduction of EU measures against imports from one major South Korean computer chip producer could have a major impact on both the European and American markets. Following a trade investigation in the EU, the Korean manufacturer Hynix Semiconductor Inc. faces duties of 34.8% on the Community price of DRAM chips. However, almost simultaneously, Hynix was the subject of US Department of Commerce and International Trade Commission investigations, that levied even greater duties on its DRAM products, a reported 55%. The EU investigation began when one of the leading EU manufacturers, Infineon Technologies supported by Micron Europe, lodged a complaint with the European Commission in June 2002 alleging subsidies to Hynix by the South Korean government. Then, in November 2002, Micron Technology USA lodged a complaint with the US Department of Commerce and the US International Trade Commission.

Both the EU and US investigations found credible evidence of illegal subsidies. The EU report detailed a debenture programme run by the Korean Development Bank for Hynix to the tune of KRW1.2 trillion. This programme rolled-over debt obligations and repackaged the debt for investors. A rescue package for Hynix in October 2001 provided access to a loan of KRW658billion and a process of debt to equity swap. Including benefits accruing to Hynix from non-repayment of former loans, either principle or interest, the Commission calculated the total subsidy at KRW5,238 trillion.

Commenting on the case, a Commission Spokesman said that the appearance of concerted trans-Atlantic anti-subsidy investigations against a single manufacturer did not mean that Hynix was not guilty of the charges. In countervailing cases, the EU must establish that a subsidy exists, that there is material injury to Community industry and that the cost must not be disproportionate to the benefit. In terms of subsidy and injury, the case against Hynix in the EU was clearly proven, the Spokesman remarked. However, the EU does not appear to compile data on the cost of investigations. The Spokesman also commented that

although South Korea has requested a WTO review, in the unlikely event that Europe is judged to have violated WTO rules, Hynix would not be compensated for lost sales in the European market.

The action launched by Micron in the United States against Hynix was preceded by an attempt to acquire the South Korean manufacturer. Only two weeks after Micron purchased a subsidiary of Toshiba that produced DRAMs, in April 2002 for \$250m in cash and 1.5m shares, Micron announced that it was withdrawing from negotiations to acquire Hynix’s memory production operations. Six months later, Micron contacted the Department of Commerce citing “multi-billion dollar bailout packages and loan subsidies”. At the time, Micron’s President, Steve Appleton said in a statement that the subsidies “violated free market principles” and resulted in “excess supply on the international market”.

The two rulings mean, in effect, that Hynix is virtually excluded from the EU market although less so from the US market. Hynix already has a manufacturing subsidiary in the US and in March this year, ahead of the provisional ruling, announced plans to invest US\$100m in expanding their production capacity. With the price of Hynix products now ‘artificially’ high, in both the EU and the US, European and American companies, who have significant under-utilised production capacity, can expect to exploit heavily the DRAM market. It is estimated that the EU and the USA combined account for half the total worldwide DRAM market.

Speaking to the European Union Chamber of Commerce in Korea (EUCCCK) in July, Seoul’s Minister for Trade, Hwang Doo-yun, called the Hynix case a “major bilateral trade issue” between the EU and Korea. He regretted that fact the European Commission did not seem to consider fully the Korean viewpoint for a “fair and impartial investigation”. A high rate of countervailing duties would, Minister Hwang said, impact not just on Hynix but also on the Korean economy.

Following the adoption of the EU provisional anti-subsidy measures in April, South Korea, in late July, lodged a request for “consultations” with the EU at the WTO. Citing violations of the General Agreement on Tariffs and Trade and the Agreement on Subsidies and Countervailing Measures, Seoul does not believe that the European Commission adequately proved a “benefit” from the government to Hynix. The request suggests that during its investigation the EU did not use “affirmative, objective or verifiable evidence”. Also in July, Korea requested consultations with the US over its investigation and duties. After the request, the EU has sixty days to respond. If no compromise is reached, a dispute settlement panel will be established, composed of experts, who will have six months to examine the evidence. The complete WTO procedure could take up to one year. Hynix employs some 24,000 people in South Korea and contributes an estimated 4% to Seoul’s gross domestic product. ■



EU Development report: Mixed news for Asia

The Commission has adopted but not published its Annual Report for 2002 on European Community development policy and the implementation of external assistance. Also in September, the European Parliament adopted a Resolution on the Commission's 2001 Annual Report. Over the two years, the budgetary context for Asia has improved with a rise in commitments of €152.8m to €539.8m and a 15% rise in payments to €433.5 in 2002. European Community operations in Asia continued to be largely focussed around development projects targeting health and education and the provision of humanitarian aid. The 2002 Report confirms that the EU's "core objectives" in EU-Asia relations as strengthening Europe's "political and economic presence across Asia".

The year 2002 saw several important developments at the multilateral level that will have long term impacts on Europe's priorities and funding for co-operation with Asia. The International Financing for Development Conference took place in Monterrey in March, followed in September by the World Summit on Sustainable Development. Both meetings are considered an essential follow up to the 2001 Doha Development Agenda. The Commission's 2002 Annual Report recognises that the main issue related to the Millennium Development Goals (MDGs) is one of implementation of agreed objectives.

However, it does not address how the EU is going to meet the financial targets set out in Monterrey of official development assistance of 0.39% of Gross National Product in 2006. This corresponds to €39,062m compared to €29,257m in 2000. Only 8 EU Member States met a target of 0.33% of Gross National Income for official development assistance. Indeed, the prospects for the EU complying fully with the Monterrey targets dim further with the enlargement of the EU in May 2004. It is highly unlikely that the central and eastern European states will be able to meet the individual 0.33% target that is meant to allow the EU reach a collective goal of 0.39% by 2006.

The Annual Report also focuses on the role of Country Strategy Papers (CSPs) for EU-Asia relations. These documents establish EU priorities for co-operation and provide for multi-annual financing of these objectives. In the report, the Commission calls the first generation of CSPs a "major strategic achievement" and a "qualitative leap forward". Over the course of 2002, the European Union adopted 13 CSPs for Asia including Bangladesh, Cambodia, China, East Timor, India, Indonesia, Laos, Malaysia, North Korea, Pakistan, the Philippines, Thailand and Vietnam.

In general, the CSPs cover the period 2002-2006. Further CSPs for Afghanistan, Bhutan and Sri Lanka were adopted this year. A CSP and National Indicative Programme is due to be adopted for the Maldives shortly. Also in 2002, a Regional Strategy Paper for Central Asia was adopted to cover the period 2002-2006 but with an Indicative Programme stretching only until 2004. Throughout 2003, the Commission will be undertaking a series of mid-term reviews of its CSPs. In general, such reviews will focus on the quality of programming documents and how EU poverty reduction objectives can be integrated into international development efforts.

In part, the EU's reliance on CSPs for Asia is due to the lack of Poverty Reduction Strategy Papers (PRSPs) which are prepared by the World Bank and the International Monetary Fund (IMF). To date, only Cambodia, Nepal, Sri Lanka and Vietnam have PRSPs while Bangladesh, Laos and Pakistan have interim multilateral strategies. The Commission has established a working group in association with the World Bank, the IMF, and the British Department for International Development to make greater progress on PRSPs targeting poverty reduction in low income developing countries. However, the European Parliament Resolution requests not just all low income countries to produce PRSPs but, also, middle income states that have "high levels of poverty and social inequality". Speaking in late September in the United Arab Emirates, Commissioner for Development and Humanitarian Aid, Poul Nielson, referred to PRSPs when he said that international aid needs to be "better aligned with poor countries national strategies". He also implicitly criticised the EU and other donors when he conceded that the process "has been too slow".

The Annual Report briefly examines the actions taken by the EU under the Rapid Reaction Mechanism (RRM). The RRM, which was created in February 2001, was established to provide the EU with the capability to respond to crises with "flexible short-term financial support". According to a note prepared by the Commission's External Relations Directorate in April this year, the value added of the RRM is "its ability to kick-start activities that demand longer-term implementation". In 2002, the Commission adopted a Framework Decision establishing an "Administrative Management Facility". The Facility has specific relevance for Asia allowing several technical assessment missions to take place in, *inter alia*, Afghanistan, Indonesia, Nepal, the Philippines and Sri Lanka. These missions can be separated into two characteristics.

Thus, with regard to Afghanistan, assessment missions consider possible EU responses to Kabul's reconstruction and relief needs. For the other Asian countries, the missions had a conflict prevention focus "identifying major risks for escalation" and identifying



“possible conflict mitigation measures”. A mission sent to Indonesia in 2002 reported on possible local or regional sources of conflict. The RRM subsequently financed “mediation and conflict resolution measures” in Irian Jaya and Maluku and, after the ceasefire agreement, the EU financed a monitoring mission for Aceh.

Improving access to education, in particular primary education by 2015, is one of the Millennium Development Goals, agreed in September 2000. Yet, according to the 2002 Annual Report, the Commission financed education initiatives in only three least developed countries in Asia, namely, Bangladesh (€8m), Cambodia (€20m) and Laos (€6m). Projects in China (€10.3m) and Pakistan (€20m) also received EU funding. The lack of focus on LDCs is not explained in the report which, nevertheless remarks that “countries in South Asia with massive population pressures and slower economic growth” have not been able to maintain the levels of investment in education as some East or South-East Asian countries. European support for the District Primary Education Programme (DPEP) in India ended in 2002. The programme, which began in 1994 with a budget of €150m, expanded from initial support for seven Indian States to eighteen. With other international donor support the DPEP eventually reached a budget of €2bn.

As the 2001 and 2002 reports show, the EU has successfully financed individual education projects in Asia. However, the broader picture is less optimistic. There has been slow progress in integrating Asian countries into the World Bank’s Education for All initiative. Of the eighteen countries that were “fast tracked” for support in June 2002, none were in Asia, despite Asia containing a substantial proportion of the estimated 115m children out of school.

The criteria established by the World Bank for participation in the Fast Track Initiative (FTI), namely a full PRSP, effectively excluded key Asian countries. However, the adoption by Dhaka of an interim PRSP in June this year and by Islamabad in February should substantially improve their chances of participation. And in mid-September, the President of the World Bank, James Wolfensohn, stated that India now appears to have “met all the criteria” for joining the Fast Track process. The major concern of the World Bank, that developing countries will not have the capacity to boost the provision of education services quickly enough, is not addressed in either the Commission report or the Parliament’s Resolution.

One of the major emphasises of European Union spending in Asia annually is support for humanitarian aid operations. In 2002, this amounted to €141m out of a total budget €425m compared to €104m out of €543m in 2001. The EU has agreed an initial budget of €440m for ECHO for all regions for 2003 and has

proposed €490m for 2004. The European Community Humanitarian Aid Office (ECHO) runs only one regional support programme in Asia. The disaster preparedness and prevention programme (DIPECHO) operates in South-East Asia receiving €3.5m in 2002. The initiative, which started in 1997, funds projects aimed at strengthening the capacity of local communities to respond to natural disasters.

Out of the €141m for 2002, just over 50% went to projects in Afghanistan, Pakistan and Iran. The €73.3m financed assistance to refugees returning to Afghanistan from Iran and Pakistan, victims of drought in Afghanistan and Pakistan and, finally, dealing with the consequences of earthquakes in Afghanistan and Iran. Typically, ECHO provides money to European non-governmental organisations (NGOs) who actually work on the ground. The next largest share, €21m, went to North Korea for food aid to children and the sick. The remaining countries that benefited include Burma, Cambodia, China(Tibet), East Timor, India, Indonesia, Laos, Nepal(&Bhutan), Sri Lanka, Thailand and Vietnam.

One of the major political concerns expressed by the European Parliament is the high level of budget commitments that are delayed or never paid. According to a Note prepared by EuropeAid earlier this year, in 1994 the *reste à liquider* (RAL) rate for Asia stood at 8.5 years, meaning it would take over 8 years at the current rate of payment for all funds to be allocated. By 2002, this had fallen to 5.18 years. This compares favourably to 7.82 years for Latin America but is striking when compared to the 1.4 years for the EU’s main political priority, the Balkans. Total dormant commitments amounted to €1.1bn in 2001 but by 2002 this had fallen to €788m. Largely as the result of Parliament pressure, some €500m in scheduled payments was cancelled outright.

Despite increases in budget commitments for the region, in broad terms Asia remains a low political priority for the European Union. As the 2002 Report states, the EU’s main interest in Asia is building up its political and economic presence. After promoting peace and security, the second objective outlined in the 2001 Europe-Asia Strategy Paper is “strengthening mutual trade and investment flows. Addressing the root causes of poverty comes third. Nevertheless, there are grounds for optimism. The EU is leading the way with multilateral donors to improve the efficiency and effectiveness of aid. Europe now has twelve delegations in Asia with additional offices in Hong Kong and Kabul. By promoting the link between trade and development, Europe can help developing countries break the aid dependency culture and trade their way up to a better standard of living. ■

John Quigley

Cancún 1981-2003

by K. S. Jomo

In mid-September, 2003, the Cancún Doha Round inter-ministerial mid-term review talk collapsed. Four main reasons have been cited – first, the news on Singapore issues, which the rich country governments have been trying to introduce into the WTO negotiations; second, the refusal by the rich countries to concede on agricultural subsidies and import trade barriers; third, procedural or process issues described by Pascal Lamy as “medieval” and, fourth, brinkmanship in negotiating strategy involving too few concessions too late.

Just as the public imagination was captured by the Doha Round’s focus on intellectual property rights (pharmaceutical patents) and public health, the blatant injustice of the massive US subsidies for (mainly Texan) cotton producers – averaging 69 cents per pound, i.e. twice the market price – reminded the informed public of the injustice in existing international trade arrangements. This was only exacerbated by the callous attitude of the trade negotiator, who simply urged suffering West African producers to switch to other crops, after decades of colonial and post-colonial (World Bank) rural development efforts promoting cotton cultivation.

The breakdown was inevitable in the light of three false premises underlying recent WTO processes. First, the creation of the WTO was proposed by the Europeans, not the US. Second, the European view has it that trade liberalisation was largely completed with the conclusion of the Uruguay Round, implying that the new WTO agenda was deeper economic integration, involving investment, environment, labour, intellectual property rights and, ultimately perhaps, tax harmonisation. But, in fact, many outstanding trade liberalisation problems were still outstanding, including agriculture, textiles, garments and other sensitive products. Third, instead of completing outstanding trade liberalisation issues, they moved on to pushing the new (so-called “Singapore”) issues.

Nonetheless, unlike the Bretton Woods institutions, the WTO is legally a democratic institution, with decision making ostensibly by consensus, still offering the potential for genuine multilateralism in the face of a growing US preference for unilateralism (expressed in terms of bilateral free trade agreements, for example), especially since September 11, 2001.

Of course the Cancún collapse was not the first of its kind, having been preceded by Montreal in December, 1988, Brussels two years later, and Seattle in 1999, when the new post-Uruguay Round was to have been launched.

Ironically, in Cancún in 1981, President Ronald Reagan had brought an end to multilateral economic negotiations inspired by the United Nations 1974 commitment to establish a New International Economic Order (NIEO). This episode was famously described by the then Jamaican Prime Minister, Michael Manley, as “killing us softly with his smile,” after Roberta Flack’s popular song from the 1970s. ■

K. S. Jomo is Professor, Applied Economics Department, University of Malaya, Kuala Lumpur. He is also Chairman, Executive Committee, International Development Economics Associates. This is an extract from a speech given at the 6th Europe Asia Forum, organised by the BMW Foundation Herbert Quandt, Institute of Policy Studies, in Brussels, 19-20 September.

Failure at Cancún

by Paul Trần Văn Thịnh

The WTO ministerial meeting in Cancún was no more than a meeting in mid-course (and there have been similar failures in the past, such as the one at Heysel, in Belgium, during the Uruguay Round). It’s also very difficult to be ambitious when the world economy is in a state, if not of recession, at least of stagnation. I had confirmation of this during the 30 years of my active life during which I was engaged in trade negotiations: the industrialised countries are not prepared to make concessions during hard times; on the contrary, they are looking for markets in order to escape from the economic recession. It is even more difficult today, because a globalising economy has even more insidious barriers to trade, such as standards, subsidies and anti-dumping measures. But while the failure at Cancún must therefore be viewed in context, the necessary lessons must be drawn from it.

The Group of 21, created like the Group of 90 for the occasion, was clearly looking to make a grand gesture aimed at the two elephants, the United States and the European Union (EU). It must be remembered that when two elephants fight they trample the grass; it is even worse when they make love, when the grass is completely flattened. China’s participation – it kept a rather low profile and was not especially active – irresistibly pushed the Group of 21 toward the high seas with a makeshift compass. The love of two elephants is not well received politically, and that’s the backdrop to the failure.



It may perhaps also be necessary to wonder about the motives of the Presidency of the ministerial meeting. In any case, the world at the start of the 21st century has changed in relation to the world of Raul Prebisch and the era of the Group of 77, which first saw the light of day at UNCTAD I. The North/South confrontation has been reactivated, since the failure at Seattle, in different ways with the disappearance of the GD of the East European countries, the irruption of the baby elephant China, the ferment of the emergent countries, the expansion of the battalion of countries left to themselves, the blossoming, even explosion, of the voices of civil society, and in particular those of the anti- and the alternative globalisation movements.

There is a danger that the Doha Round will not be able to conclude before the end of 2006, or even 2007. The year 2004 will see the room for manoeuvre of the two elephants, European and American, blocked by the enlargement of the European Union and the establishment of the new European Commission, on the one hand, and the presidential elections in the United States, the outcome of which will depend on the health of the American economy, on the other.

In general, in 2004 American economic recovery could be hesitant and European recovery late, like that of the rest of the world. The WTO negotiations will reach cruising speed in 2004, when there will be a changeover in a substantial part of the diplomatic personnel in Geneva. The negotiations would not really resume until 2005.

But already questions regarding the consequences of the failure at Cancún need to be addressed. Who benefits from the crime? Who will pick up the tab?

Meanwhile the rhythm of the negotiations for the admission of new members would also slow down. This respite entails serious risks for the genuine developing countries. To begin with, the United States will continue to develop its unilateral legislation and practices to deal aggressively with what the Commerce Secretary has described as “unfair trade practices” (of which the European Union has suffered harassment), particularly through the creation of an “unfair trade practices team.” Next, the United States will seek to conclude bilateral and regional agreements as Robert Zoellick has declared, thus weakening the multilateral system by bilaterally strengthening American influence.

The reality is that the American economy is very vulnerable in theory because it depends on 75.5 percent of world savings, amounting to some \$528 billion in 2002. In addition, the US military budget (\$379 billion in 2003) is covered de facto by funds from abroad, according to the IMF. Indeed, foreign capital continues to flow into the United States, attracted by American productivity, organisation and an efficient labour force.

A levy on this scale on world savings drains developing countries (although not China, which holds \$126.1 billion in US Treasury bonds), and ensures the supremacy of the American economy in its traditional role of locomotive of both the European economy and that of the rest of the world. Such a levy definitely entails a danger which will reveal itself when “*lex Americana*” will cross the Rubicon, moving from the practices of “empire” to those of “imperialism.” Which it inevitably will....

This forced respite will also see the inevitable rise in the might of China which, in two decades, will have overtaken the American economy, even if it considers itself a “developing country.” In Cancún the elephant calf that is China entered the china shop – the emerging Group of 21, reactive *par excellence*, which took up the Euro-American challenge. This heterogeneous group, led by Brazil and India (which will have a population of 1.6 billion towards 2050 and will always be undermined by the caste system) is a new reactive force which will find it difficult to agree on a constructive new or alternative structure. Meanwhile, and since the war in Iraq, the United States is banking on an alliance with China. This country, with a population of 1.3 billion out of a world population of 6.5 billion, has only 7 percent of arable land. Its policy of the urbanisation of rural market towns is failing to improve the unenviable plight of the country’s roughly 600 million farmers, and to contain the exodus of some 200 million peasants who are wandering around the great coastal megalopolitan cities. Social inequalities are widening rapidly and point to dark days ahead as regards the country’s social cohesion. Meanwhile, China’s refusal to re-value the yuan, or allow it to float, is giving rise to serious problems for the countries in the region, and could be an obstacle to world-wide economic recovery.

There remains Europe, which was one of the promoters of the Doha round and is the defender of multilateralism – of the United Nations, the International Criminal Court, the Kyoto Protocol...Europe, which is in the midst of its own transformation, now owes it to itself, as the right *Middle Kingdom*, to do unhurriedly, given that turnarounds are agonising, all it can to re-launch and conclude the negotiations. These negotiations are necessary for a better and lasting global balance. In the absence of an agreement on the Doha Development round, the WTO will fade away, leaving behind a wasting multilateral system.

The European Union will therefore need to take a fresh look at its demands as regards the Singapore agenda, access to its market, its subsidies, to its farmers in particular, its regional preferences...and all this in the fragile context of a change in the team in Brussels, its enlargement and a moribund economy to be supported. It must be remembered that even if the European



Union is in no way short of resources for a bilateral and/or regional approach, any deviation from the ultimate goal of multilateral law would be fatal to the developing countries. It is necessary, consequently, in conjunction with an appeal mechanism outside the WTO, to save at any cost, and develop along lines favourable to developing countries, the WTO's dispute settlement mechanism. After that a return to basics is necessary in order to ensure that the trade policy negotiations are directed towards development in general and sustainable human development in particular.

For the European Union, this will be a crusade against imbalances and against poverty, a crusade which will find its legitimacy in two key words – law and development. ■

Paul Tran Van Thinh is a former head of the European Commission's Delegation to the GATT/World Trade Organisation (WTO) in Geneva.

Africa showed the way at Cancún

by Devinder Sharma

Amidst a lot of drama, the WTO Cancún Ministerial has failed. The underdogs of economic development – the African block – have bailed out the developing world from being economically robbed. And once again the countries, which have continuously been painted to be in the 'Dark Age', have stood up as a solid block to brighten the future of billions of toiling masses in the majority world.

The walkout by the smaller African countries, led by Kenya, and followed by some Caribbean nations, on the contentious Singapore issues – the four new issues of investment, competition policy, government procurement and facilitation – which the United States, European Union and Japan were pushing aggressively, has actually failed the Cancún Ministerial. The Singapore issues were aimed at simplifying cross-border traffic and increase competition and market access for multinationals. The walkout by the Africans, the second time in the history of the WTO, clearly demonstrates that there is more to the WTO than merely playing to media gallery.

First in Seattle in 1999 and then in Cancún 2003, the Africans and the Caribbean have emerged as the real heroes. The failure of the WTO Ministerial at Seattle and now at Cancún is the direct outcome of the

African's frustration, and their willingness to stand up to the mightiest. Kenya deserves the salute – *jo jita wohi sikandar*. And so do thousands of farmers, activists, and protestors who continued to raise their voice ten kilometres away from the official venue of the Ministerial talks. The supreme sacrifice by the 56-year-old Korean farmer, Kyung-hae Lee, will remain embedded in the history of the multilateral trade regime as a tragic symbol of the destructive fallout of the so-called free trade process.

The G-23 (as the coalition of India, Brazil and China along with 20 other countries is called) in contrast, only roared. India's Commerce Minister, Arun Jaitley, who used the unique opportunity to pose as the champion of the farmers' cause, gave in during the final stages. Neither India, nor the other two giants – China and Brazil – staged a walk out in protest. The draft circulated the day before had only called for an end to export subsidies on farm products of special interest to developing countries; this was far short of the elimination of all subsidies as demanded by the G-23 group of developing nations.

Notwithstanding their tough postures outside and before the final moments of the WTO ministerial meeting, the failure of the G-23 to stand up and be counted had in reality led towards a compromise formula linking the phase out of agricultural export subsidies with the unbundling of the Singapore issues – i.e. getting started on at least two of them, if not all four. Except for expressing displeasure, which means nothing in trade talks, the G-23 finally had wagged its tail. India, China, Malaysia and Indonesia, besides the EU and some developed countries, were locked in intense green room discussions in the final stages seeking a compromise.

Let us be very clear. The Cancún Ministerial failed because of investment issues and not agriculture. The G-23 did not stage a walkout in anger against the glaring inequalities present in the final ministerial draft. This does not, however, undermine the efforts of the G-23 and the G-16 (on special and differential treatment) countries to speak out. There is no denying that the G-23 countries did manage to arouse world opinion against agricultural subsidies that the rich countries grant their minuscule population of farmers. In fact, these subsidies – totalling US \$ 311 billion – are actually benefiting food and agricultural companies in the name of farmers. They depress world farm prices and enable the developed countries to dump cheap food grains in the developing countries, thereby crippling the livelihoods of millions of small and marginal farmers.

What is also significant is that the debate at the Cancún Ministerial led to the acknowledgement, for the first time, that all subsidies are detrimental and trade distorting. Earlier, ministers, policy makers,



economists and many western NGOs (in association with their developing country partners) had all along found fault with export subsidies but defended domestic support and the green box subsidies. Cancún also exposed the protection that the WTO provided to agriculture in the rich countries by way of special safeguards, higher tariffs and other non-tariff measures. At the same time, it put to shame the relentless campaign by some individuals and organisations, including a section of the Confederation of Indian Industry (CII), to pave the way for the unhindered entry of multinationals, with state protection. ■

Devinder Sharma is a food and trade policy analyst, and chair of the New Delhi-based Forum for Biotechnology and Food Security. His recent works include "GATT to WTO: Seeds of Despair" and "In the Famine Trap."

Report on Cancún

by Pascal Lamy

Trade negotiations are generally described as a win-win situation, in that success means the parties' gains outweigh the cost of the quid pro quo they offer. In the event of failure, however, the reverse is true. A successful outcome at Cancún would have meant all WTO members stood to win; the collapse of the Ministerial Conference means we all lose.

That, in a nutshell, is the verdict of the Commission as the European Union's trade negotiator. We realise, being neither blind nor deaf, that not all the players at Cancún share this view; some of them are apparently quite content, or indeed positively thrilled, at its failure. Since we are responsible as negotiators to you and to the Council, I intend to report to you this afternoon on the Commission's analysis of events, our position in the talks, and the conclusions we feel able to draw at this stage.

So what was Cancún about? Our aim, as I told you before we set out, was to get the negotiating programme adopted at Doha in November 2001 to the half-way. We failed quite simply because the gap between the parties' negotiating positions remained too wide to be bridged. We were supposed to get half way; we barely covered a third of the ground.

How did this come about?

Not because of poor preparation, which is what happened in Seattle, but because the negotiations never really took off either in the run-up to Cancún or at the Conference itself. Negotiations need to pick up a

forward momentum if the negotiators are ever to see the prospect of a positive outcome. Then they start seriously to narrow their differences. Then failure becomes ever more unappealing, and success ever more of a prize. Delegations start to realise that success is in their own interests. All of us sitting round the table at the WTO are carrying out - and know that the others are carrying out - a delicate balancing act and the slightest thing can tilt that balance. Ladies and gentlemen, Honourable Members, at Cancún the scales tilted away from success.

And whose fault was it?

It is said that success has many fathers and failure is an orphan. I do not intend to play that game, and my answer to this difficult question is that we were all responsible. To be precise, the fault lies with the way all the assembled negotiators, jointly and severally, saw fit to fulfil their mandates.

That is a somewhat abstract proposition. To make it clearer I shall review the positions taken by the four highest-profile players at Cancún: Europe, the United States, G-21 and the group formed by Africa and the least-developed countries.

The European Union was famously keen to see the Doha programme - and hence Cancún - succeed. But that, of course, makes for an awkward tactical position when it comes to exchanging concessions or bringing in the rules we set store by. And we duly paid quite a price:

- ◆ to the least-developed countries in the form of the "Everything But Arms" initiative, whose results are already showing up in EU import statistics;
- ◆ at Doha, by reluctantly agreeing not to negotiate a linkage between fundamental social clauses and trade rules and by scaling down our environmental ambitions;
- ◆ between Doha and Cancún, by relaxing our stance on investment, competition, trade facilitation and public procurement;
- ◆ after reform of the CAP, by agreeing to additional disciplines on agricultural support to help developing countries and further opening up our agriculture market, thereby getting the United States to embark on a similar course;
- ◆ last but not least on access to drugs, by managing to persuade our pharmaceutical industry of the need to waive patent rights - an achievement that happily still stands, since the negotiations on this issue were part of a separate process.

But concessions can only go so far. With the assent of the Council of Member States and your delegates on the spot, we went to the limit and beyond on investment and competition.



In the absence of any significant movement from the other players the Chair of the Conference concluded that proceedings had stalled even before negotiations on the long list of subjects still on the table had really got under way.

The United States too keeps a close eye on the tilt of the scales. My feeling is that the fading prospect of any additional access to markets for farm produce or manufactured goods in keeping with their initial hugely ambitious aims upset a precarious balance. What tipped the scales the wrong way was the prospect of separate negotiations on one politically neuralgic commodity, cotton. I think they might have gone along with the demands from four African countries that believe themselves clearly injured by the US support system had the commitments on a reduction of support been part of the broader negotiations on agriculture, but unfortunately the negotiating process was scuppered before it got that far down the agenda.

The Group of 21, including Brazil, India, South Africa and thirteen Latin American countries, was born of two parents. The political father comes from a desire to give the developing countries a voice in dealing with the supposed US-EU duopoly. An odd sort of duopoly, considering the differences in the American and European positions on access to drugs, the Singapore issues, geographical indications, the WTO implications of the biodiversity convention, the reform of the dispute settlement mechanism or access to agricultural markets. So I think the gleam in the father's eye, in this case, went beyond the WTO; I see the coalition as an expression of the larger emerging countries' desire to make their mark in international debates. They didn't manage in the UN in the debate on Iraq but at Cancún, on trade, they got their act together.

But the agricultural mother was also there, since measured by the WTO yardstick, the USA and Europe are indeed the biggest purveyors of farm support. However, up to a point which was never discussed because the talks ran off the rails: there is farm support and farm support, and not all of it is disruptive of trade. This is an essential dividing line for the future common agricultural policy.

Also present at the birth of G-21 was the corpulent Uncle Tariff, a rather daunting figure none too popular with our exporters of manufactured goods and apparently in no hurry to slim down. In short, I believe that for G-21 the political achievement of making its presence felt, coupled with defensive trade interests, even if legitimate in the WTO context - finally outweighed the otherwise real attractions of a success on agriculture.

I complete my survey with our friends in Africa and the least-developed countries. Our analysis is that they feared the erosion of their trade preferences on EU

markets - a certainty if our remaining multilateral defences were lowered even further - as a loss outweighing the prospective gains within reach in other areas. That led them to refuse the Chair's compromise proposal that all the Singapore issues be dropped except transparency in commercial transactions and in public procurement - a refusal, incidentally, diametrically opposed to South Korea's insistence that investment and competition remain on the table, probably to offset certain concessions on agriculture that they (and Japan) would find particularly difficult.

I hope that rapid overview of the different stances taken by the main players will have made it sufficiently clear to you that it is an exaggeration, indeed a mistake, to attribute the failure of Cancún to a sudden North/South split in the WTO.

In Cancun, there was no North and the South confrontation, rather the "Norths" and the "Souths" crossed paths without actually meeting.

Before I come to the conclusions we are drawing at this stage from this common defeat, I should like to stress once again that the EU negotiated in good faith in Cancún and added fresh concessions to those already on the table. People can criticise this good faith, it's a question of the EU's image and Franz Fischler and myself are not ready to compromise on that. I have also heard, and read, complaints that we moved too slowly. Compared to what or to whom, might I ask? Compared to the total immobilism of the other big players, not one of whom budged an inch? I would accept that criticism if the discussion process had picked up any pace, but I think there are enough witnesses around who can confirm that it wasn't so.

What now?

Having invested our political capital heavily in a negotiating programme which is now, as I said in Cancún, if not dead then certainly in intensive care, what do we do next? Well, there will be a period of assessment, discussion and proposals, conducted among ourselves in the spirit of European unity and dialogue that has guided us since the outset of this enterprise. Calmly, coolly, without panic, in the hope that others will do the same and that collective wisdom will once again prevail.

This has been a major shock, there's no point in denying it. And whenever there is a political upset, like Cancún, we have to go back to the essentials. That means we have to ask ourselves some questions about the EU's international trade policy and see whether the fundamental assumptions on which we have built it for decades need re-examining. I will conclude with those questions, since we are keen to hear your answer - this week, first of all, and of course over the coming months.



So, the first question: are we still looking to strike a dynamic balance between market opening and rule-making, rules without which market opening is neither effective nor in line with our values? This is a question that has to be asked, since the appetite of those seated around the WTO table for market opening is becoming dangerously selective, while modernisation of the existing rules or the adoption of new ones is complicated by the multiplicity of political choices that comes with the ever-greater numbers of nations taking part in international trade.

Question number two: do we still give preference to the multilateral approach, hitherto the hallmark of EU external policies? Do our partners share that preference? If not, are we strong enough to get them to change their minds? Should bilateral or regional agreements still be seen as an adjunct to the expansion of multilateral disciplines?

Could these replace multilateral disciplines, if a period of immobilism leaves the WTO dispute settlement mechanism to interpret an incomplete corpus of rules and ends up taking the place of the 148-member Ministerial Conference as international legislator? Third question: what about the future of our trade preference schemes, the extensive systems set up to help the developing countries and carefully differentiated to ensure that the benefits are directed towards those that need them most?

Fourth question: does the WTO, its ground rules and organisational principles still meet today's needs? What about the principle that members have the same rights and obligations, flanked by rules on special and differentiated treatment and the asymmetry of remaining protection? What about its increasing difficulty, qua organisation, in building consensus among an ever wider membership on issues which may be technical but now affect the lives of billions of men and women and consequently have far-reaching political implications?

Ladies and gentlemen, Honourable Members, these are the questions we need to think about before we move on to tactical or operational considerations. It is clear from Cancún that it is not enough for us to be in agreement among ourselves, though that habit is a good one. We need to check that the principles guiding us are in fact compatible with our interests and our values today, before seeking out new compromises, the compromises that are inevitable if we remain committed to harnessing globalisation in the interests of greater fairness and equity.

The European Commission is counting on us and on the Council to help come up with the right answers to these questions. On all of you - and of course, first of all on those of you who were delegates in Cancún and worked with us so closely there. ■

Pascal Lamy is the European Commissioner for Trade and the European Union's chief trade negotiator. This is the full text of his speech on the outcome of the WTO Ministerial Conference in Cancún to the European Parliament, at its plenary session in Strasbourg on 24 September 2003.

Cancún Collapse: History Repeats Itself!

by Pradeep S. Mehta

It's a thrice-told tale for agriculture. First, it caused a serious crisis during the Uruguay Round, resulting in a huge delay in the conclusion of the Round, which was extended by three years and finally concluded in 1993. The second time was at Seattle, when the talks failed mainly because of serious differences over liberalisation in agriculture. Labour standards were made the scapegoat on that occasion. And, finally, at Cancún, it was agriculture once again. This time the blame was passed on to the Singapore issues, especially investment.

In the run-up to the WTO Ministerial in Cancún, many predicted yet another Seattle. But no one expected such a well-planned 'Seattle'. The entire show was very skilfully masterminded by the US. Immediately after the formal announcement of the collapse of the trade talks by the Mexican chairman, many NGO activists from developing countries were chanting "We won! We won!"

But it is the developed countries that ultimately are the true winners. Their main intention was not to agree to any concession on agriculture and somehow maintain the status quo. The failed ministerial provided them with this opportunity. This is also evident from the reaction to the G-21 proposal of Franz Fischler, agricultural commissioner for the European Union (EU). He claimed that the developing countries were asking for the moon. Now he, too, has joined the chorus that the WTO negotiating system be reformed, as it will be difficult to reach a consensus with 148 countries in the room.

Agriculture dominated the first three days of the Cancún negotiations. The tug of war between the G-21 and the EU over farm subsidies virtually overshadowed all other issues, including the Singapore issues. Both the EU and the US tried their best to break this alliance of 21 developing countries. When they failed, they brought in "Plan B", which involved antagonising developing countries to the extent that the Ministerial collapses. The inclusion of Singapore issues, particularly investment, in the second revised draft ministerial text (the first during the ministerial), was a



part of this strategy. It was a trap into which developing countries fell easily.

The way the negotiations were conducted, following the failure of the EU and the US to split the G-21 alliance, was indication enough that the result was fixed in advance by developed countries, especially the US. The delay in bringing in the second revised draft ministerial declaration, the tying up of investment with agriculture, and the final, hasty wrap-up talks by the chairman, are some of the events that raise pertinent questions in our minds, puzzle trade analysts and deserve clarification. At Doha, when the developed countries were determined to launch a new round of trade negotiations, the ministerial was extended by a day to arrive at a consensus. At Cancún, however, when the developing countries, led by the G-21, were successful in putting the developed countries in the dock on agricultural subsidies, they bulldozed the entire ministerial.

Why was there a delay in bringing out the revised draft ministerial declaration? The text was released at noon on 13 September, and the chairman announced the failure of the ministerial session in the afternoon of the 14th. Trade ministers were given less than 24 hours in which to arrive at a consensus on contentious issues like investment, competition, trade facilitation and transparency in government procurement. Was the chairman unaware that in the seven years since the Singapore Ministerial of 1996 both protagonists and antagonists had not budged an inch from their original positions? How did he expect them to arrive at a consensus in less than 24 hours?

The inclusion of investment in the revised text puts a big question mark against the role of the facilitator. Of the 146 WTO members, more than 70 were on record in their opposition to the launch of negotiations on the Singapore issues. Sixteen of them had written to the chairman opposing negotiations on these issues. If, under these circumstances, the draft declaration proposes launching negotiations on the Singapore issues, it indicates that the facilitator's mind was preset. What is more, the language on the most contentious issue, investment, was also the strongest.

There was no talk about linking investment with agriculture; such talk as there was of a quid pro quo related to investment and the mobility of labour. Among the new issues, some trade analysts were hoping to strike a compromise on competition, rather than on investment. No one could imagine a consensus on investment, an issue on which there is no unanimity even among EU member states and their economic operators.

Fingers are also being pointed at the chairman, who abruptly announced the collapse of the Ministerial, when there was a fairly good chance of reaching a

consensus. Why did he not allow more time, when most of the participants were mentally prepared for an extended period of negotiations. Many, in fact, had booked return tickets for 16/17 September, in anticipation of an extension.

Incidentally, cotton subsidies were high on the agenda at Cancún, with the WTO Director-General, Dr. Supachai, facilitating the talks on cotton himself. The economies of the four African countries (Chad, Burkina Faso, Mali and Benin) that brought this issue to the negotiating table at Cancún are heavily dependent on cotton. Although it was raised separately, it nevertheless was in tandem with the G-21 demand for the complete phasing out of farm subsidies.

The four African countries were not seeking preferential treatment, only a separate commitment from the US on cotton. The latter insisted, however, on discussing it only as a part of the agreement on agriculture. "We are ready to play according to the rules. We are asking rich countries to play according to the rules when they operate in our favour," said Ibrahim Mallum of the Chad-based African Cotton Association. Given the uncertain outcome over agriculture, the Africans were quite justified in raising this issue separately.

In the aftermath to Cancún, uncertainties arise on two fronts – firstly, on the ongoing Doha round and, secondly, on the future of the WTO. As regards the Doha round, it is generally agreed that it is now impossible to conclude it on time. As to the future of the multilateral trading system, it all depends on how developed countries meet the challenge represented by this newfound solidarity of developing countries. The two Bretton Woods institutions – the IMF and the World Bank – have long been tools in the hands of the developed countries. What will be the future of the WTO if it is not allowed to remain a similar tool in their hands?

Many are speculating that there will be a fresh spurt in bilateralism and regionalism. But that is nothing new? Free trade agreements (FTAs) and regional free trade agreements (RTAs) are already proliferating. The 1990s saw the signing of the maximum number of RTAs. The setting up of the WTO had very little negative impact on this trend. However, this newfound solidarity among developing countries may have some impact on bilateral and regional trade negotiations too. Developing countries have realised their new strength, which enables them to negotiate on more equal terms. Till now developed countries have had the upper hand in such trade treaties. The US, for example, has its own template of bilateral trade agreements, in which it tries to include labour and environment, two highly contentious issues in the multilateral trade negotiations.



The collapse of the Cancún Ministerial provides both opportunities and threats to developing countries and the overall world trading system. For the first time developing countries have not given way under pressure from developed countries. If they take this forward, then there is a really good chance of reforming the WTO, in order to make it more transparent, democratic and equitable, as stated in the preamble to the WTO.

In the world trading system a country draws its strength from its share of world trade. At present two-thirds of this trade is taking place between developed countries. For developing countries to translate their new solidarity into real power they will have to enhance South-South trade. Only then can they stand up to the combined might of the US and the EU. Ultimately, it's economic power that counts. ■

Pradeep S. Mehta is the Secretary General of the Jaipur-based CUTS Centre for International Trade, Economics & Environment.
He can be reached at cuts@cuts.org

Textile trade after Cancún

How will world trade in textiles and clothing be affected by the failure of the WTO trade ministers to come to an agreement in Cancún on the modalities of the Doha Development round? Much of this trade is governed, after all, by the 1995 Agreement on Textiles and Clothing (ATC). It could be argued, therefore, that the disappearance of the ATC on 1 January 2005 will have a much greater impact on world trade in textiles and clothing than the failure at Cancún. This would be the case especially as regards the exports of developing countries in Asia. The disappearance of the quotas to which many of their exports have been subject for the last three decades will allow Asian countries to take full advantage of their strong points to develop their exports.

European textile and garment manufacturers and exporters see the future very differently, however. For William Lakin, the Director-General of Euratex, the Brussels-based organisation that represents the European industry, the failure in Cancún "was, on balance, bad rather than good – assuming that Cancún would have resulted in a text acceptable to us." It was bad in that the trade ministers failed to agree on the modalities for the tariff negotiations on non-agricultural products. For the European industry, the Doha Development round of trade negotiations is an opportunity to get countries like India, with its high

import duties and numerous non-tariff barriers, to open up their markets to imports.

Securing better access to overseas markets is the key element in the industry's strategy. It is an objective strongly supported by Pascal Lamy, the trade commissioner for the 15-nation European Union (EU) and its chief trade negotiator at Cancún. Because of the failure of the WTO trade ministers to agree on the modalities for the tariff negotiations, the very high tariffs in force in countries like India and Pakistan are unlikely to come down in the near future. EU exporters will find it difficult to sell more to these countries, making it virtually impossible for the 15-nation EU to reduce its trade deficit in textiles and clothing. This deficit stood at \$26 billion last year, because EU imports, mainly of garments, came to \$62 billion, as against exports to non-EU countries of just over \$36 billion.

There was a silver lining, however, to the failure at Cancún, which the Director-General of Euratex hinted at. The fact is that the European industry has a defensive as well as an offensive strategy. The offensive strategy is to use the Doha Development round to secure a substantial reduction in tariffs and non-tariff barriers in developing countries, even while leaving EU tariffs largely unchanged. The defensive strategy is to push ahead with the creation of a vast free trade area covering the enlarged, 25-nation European Union, on the one hand, and the countries of the eastern and southern Mediterranean, including Morocco and Tunisia, on the other.

The textile and clothing industry in the present 15-nation EU is already looking forward to the entry next May of 10 Central and East European member states. Within this 25-nation single market there will be an increase in shipments of fabrics to the new member states, to be made into garments for the existing member states – and for export to non-EU countries. But the textile and clothing industry is also working actively for the strengthening of what it terms the Pan-EuroMed zone. When completed, it will amount to a vast free trade area covering some 35 countries, which will allow garment manufacturers in countries with high labour costs to relocate production in countries where labour costs are considerably lower.

Failure in Cancún means that the European industry will be able to devote more of its time and energies to making a success of enlargement and completing the Pan Euro Med zone. The industry's own trade body, Euratex, has intensified its contacts with the Mediterranean countries in this connection. During a seminar on the rules of origin, held earlier this year in Rabat, the capital of Morocco, Euratex noted the growing interest on the part of the country's textile and clothing industry in the Pan-EuroMed zone.



The EU has signed and, in certain cases, is already implementing association agreements with several Mediterranean countries. They include Algeria, Lebanon and Jordan. The EU is also giving strong support to the implementation of the Agadir agreement, which provides for the creation of a free trade area between Egypt, Jordan, Morocco and Tunisia by 2006. The longer the conclusion of the Doha Development round is delayed, the more time the enlarged EU will have to consolidate the Pan Euro-Med zone, described by the EU's trade negotiating arm, the European Commission, as the "wider Europe."

This is also true as regards the enlargement of the EU to 25 member states from May 1, 2004. As far as the European textile and clothing industry is concerned, enlargement has been a fact of life for some years now, given that the industry in the 10 new member states already enjoys quota-free and duty-free entry into the 15-nation EU. Turkey, a candidate for EU membership, may never be admitted, but it has already concluded a free trade agreement with the EU. However, full EU membership for 10 countries, most of them with living standards well below those of the 15 existing member states, is bound to pose problems of integration and consolidation. A delay in bringing the Doha round to a successful conclusion will give the 25-member EU time in which to solve these problems.

Despite the failure to reach an agreement at Cancún, EU industry sources here believe that the trade negotiations launched at Doha in 2001 will continue. They note that the Uruguay round which, like the Doha round, was scheduled to last just three years in fact continued for another four years. The hope here, of course, was that the Doha round would end on 31 December 2004 – at the same time, in other words, that the quotas on textiles and clothing are abolished. Textile industry sources here fear that the end to quotas will witness intense competition among textile exporting countries, focused on the European and American markets. In other words, while Asian countries will have unfettered access to the 25-nation EU, European exporters will continue to face tariff and non-tariff barriers in many Asian and other developing country markets, according to the European industry.

What are the implications for Asian textile and clothing exporters of the failure at Cancún? The least developed countries like Bangladesh can breathe a sigh of relief, as they will have more time in which to ensure that their preferential access to the EU market is safeguarded, and that their preferential margins are not reduced. Other Asian countries, including China, India, Pakistan, Indonesia, Thailand, Vietnam, Hong Kong, Macao, and even the Maldives, are concerned that the elimination of quota restrictions will mean a sharp increase in anti-dumping investigations in the EU and North America.

These countries are also concerned that their exporters will not be able to use the ATC's carry forward provision in 2004, given that all quotas will be abolished in 2005. As they see it, access possibilities for their exporters will be sharply reduced in consequence. This will result in a rise in prices in 2004, followed by a sudden fall in 2005 with the termination of quotas. This fall in prices could lead the EU textile and clothing industry to press the European Commission to launch anti-dumping investigations, according to Asian exporters.

These concerns prompted 11 developing countries, including the Asian countries mentioned earlier, to ask the industrialised countries not to launch anti-dumping investigations in 2005 and 2006. Their move has been opposed, however, by not only the EU but also the US, Canada and Japan. The situation is more promising as regards the demand, by 15 developing countries, 12 of them from Asia, for the ATC's carry forward provisions to be continued next year. Both the EU and the US are looking into the matter. ■

Malcolm Subhan

Post Cancún comment:

Extract: The negative outcome in Cancún is bad for us all and for the developing countries in particular. The package at the centre of the farm negotiations would have signalled a meaningful reform of the agricultural trading system and farm policy. EU concessions to developing countries make us the largest importer of their farm produce - €35billion in 2002, more than all the other industrialised nations put together.

Dr Franz Fischler

Commissioner for Agriculture

Informal Council of Agriculture Ministers, Sept 2003

Extract: After Cancún, what now? As far as the EU is concerned, we remain ambitious, flexible and fully committed to the international trade talks. I am afraid that bilateral discussions would only be a digression that would neither provide the answers we are looking for, nor the progress we need to make. The EU has proposed a 60% cut in trade distorting domestic support, up to a 45% reduction in export subsidies and an average reduction in agricultural tariffs of up to 36%. On the WTO today, the decision making process could be greatly facilitated and improved by modernising the structures and processes within the WTO itself. Too often the structures in place seem to hinder rather than help the decision making process.

Dr Franz Fischler

Commissioner for Agriculture

Zurich, Sept 2003

Japan-North Korea: one year after Pyongyang summit

by Dr Axel Berkovsky

“Enough is enough” the Japanese government declared when it took its case against North Korea to the United Nations General Assembly in September. The newly re-elected President of the country’s Liberal Democratic Party (LDP), Prime Minister Junichiro Koizumi, could not make it to New York himself, however. Although he had assured his diplomats and the public that the issue of the Japanese abducted by North Korea in the 1970s and 1980s remains a top priority, Mr. Koizumi was too busy reshuffling his cabinet after his landslide election victory.

He sent his foreign minister instead, giving him the challenging (some say thankless) task of convincing the General Assembly that the time is ripe to put additional pressure on North Korea. Even though the timing was not propitious, given the Assembly’s preoccupation with Iraq, Japan nevertheless wanted the abduction issue on the agenda, as it is eager to secure the support of the international community. The “international community” that was willing to spend any time at all on the issue was mainly limited, however, to Tokyo itself, although Foreign Minister Yoriko Kawaguchi has reportedly identified “growing international concern on the abduction issue.”

Hard-liners on North Korea within the government hope that if Pyongyang continues to ignore the abduction issue, other nations will support Japan’s plans to impose economic sanctions on the North Koreans. Such a step would amount to a declaration of war as far as the leadership in Pyongyang is concerned. It will remain the last resort, Mr. Koizumi having defused the call for sanctions in a separate statement.

Things could hardly be worse on the bilateral front. While North Korea marked the first anniversary of the Japan-North Korea summit of September, 2002, by accusing Japan of plotting overseas aggression, Tokyo was in an even less festive mood, if reports from the Japanese media were anything to go by. A year has passed since Prime Minister Koizumi and North Korea’s “Dear Leader,” Kim Jong-Il, signed the so-called “Pyongyang Declaration” during what was referred to as an “historic summit” between the two countries (prematurely, as it turned out).

The Declaration called for the normalisation of bilateral ties and the establishment of diplomatic relations, causing Mr. Koizumi and other committed optimists to maintain that hostilities and North Korean missile tests over Japan would be a thing of the past before too long. It only took a couple of weeks,

however, before the summit ceased to be a promising basis for good relations between the two countries. Under pressure from the public and the conservative media, the Tokyo was forced to put efforts to consolidate bilateral relations on hold, after Kim Jong-Il admitted that Japanese citizens had been abducted and “employed” as language teachers for spies.

While Pyongyang strongly urged the Japanese Prime Minister to remove the abduction issue from the official agenda, hoping that its place would be taken by the agreed provision of rice and cash, Japan froze all food aid and humanitarian assistance to North Korea. What is more, it requested North Korea to explain exactly what happened to the Japanese-turned North Koreans who, Pyongyang claimed, had all died under mysterious circumstances over the years.

After tough negotiations, and the Japanese promise to send the kidnapped back to their kidnappers, five of the surviving abducted Japanese were allowed to return to Japan last October. Their two-week “holiday” in Japan was extended indefinitely, however, although the government’s determination to hold on to the abductees was put in jeopardy when some of them started to wear Kim Jong-Il badges in public. They later joined the Japanese government in requesting that Pyongyang allow the abductees’ family members, left behind in North Korea, to come to Japan as well.

North Korea seemed unimpressed, preferring to talk about Japan instead. “It will become very difficult to comply with the Pyongyang Declaration if Japan fails to demonstrate a sincere attitude toward the basic spirit of the Declaration”, a North Korean government spokesman recently warned. Tokyo’s policymakers have suspected for a long time that North Korea never really planned to live up to any of the promises given in Pyongyang last September. Indeed, North Korea decided to continue running its clandestine nuclear program, leave the Nuclear Non-Proliferation Treaty (NPT) and throw UN weapons inspectors out of the country before the ink was dry on the Declaration.

North Korea believes it has some additional trump cards up its sleeve. “Tokyo will have to compensate Korean sex slaves of Japanese colonial rule during World War II before bilateral relations can improve at all”, Pyongyang’s state-controlled Korean Central News Agency (KCNA) stated last week. Other countries in East Asia agree that Japan has yet to come to terms with what Tokyo refers to as the “comfort-women issue”, but the KCNA’s suspicion that “Japan is increasing its military capacities in a bid to launch overseas aggression” is unlikely to raise any eyebrows in the region. In short, one year after the Pyongyang Summit Japanese-North Korean relations are as complicated as ever. The fact is that the Summit looked only very briefly like the beginning of a wonderful friendship in North-East Asia. ■

Understanding Contemporary India

Sumit Ganguly and Neil Devotta (eds)

Lynne Rienner Publishers; Boulder and London. 2003.
pbk. 313 pp.

Pakistan: Eye of the Storm

Owen Bennet Jones

Yale University Press. New Haven and London. 2002.
hbk. 328 pp.

Is there a tougher job at the helm of government than that faced by Prime Minister Atul Behari Vajpayee of India? Since 1999 he has been trying to manage a fluid ruling coalition of a dozen or so political parties of sharply divergent ideologies, while overseeing a process of economic liberalisation still only grudgingly accepted by many of the grassroots supporters of his own Bharatiya Janata Party (BJP). In the past few months, the Supreme Court has accused his party's state administration in Gujarat of deliberately failing the victims of horrendous communal violence in 2002; a lower court has charged several prominent BJP members with complicity in the destruction of the Babri Masjid in 1992, and home-grown Islamic terrorists have struck in Mumbai, killing over 50 civilians. On its borders, India continues to face enemies to the west and north armed with nuclear weapons, and a bloody insurrection in Kashmir that shows little sign of abating. These immediate problems occur in a country with 18 official languages (plus English), huge religious minorities (including the world's second largest number of Muslims) and well over 1 billion people.

Perhaps only President General Pervez Musharraf of Pakistan would envy Vajpayee's job. In office for the past three years, Musharraf has tried to legitimise his forcible seizure of power while rescuing the economy from the virtual bankruptcy left by his civilian predecessors. He has had to balance the narrow, self-interested desires of domestic Islamist opposition, resisting all Western influence, against the inflexible, short-sighted demands of the current American administration, hunting down Taliban members in his own backyard. On its eastern border, Pakistan continues to face a vastly more powerful military, one that is planning to deploy the full land, sea and air triad of nuclear weaponry while continuing its domination of the Muslim-majority Vale of Kashmir. All the while, Musharraf has to constantly look over his shoulder, trying to spot potential challengers within Pakistan's own armed forces before they strike against him.

The answer as to who has the tougher job, Vajpayee or Musharraf, may be seen from the titles

of the two books under review. Owen Bennet Jones dramatically describes Pakistan as the "eye of the storm" raging within the country's army, polity, the region and current international climate. In contrast, Sumit Ganguly and Neil DeVotta are content to calmly guide readers to a greater "understanding" of India. Indeed, for all his country's problems, Vajpayee heads a democratically elected government overseeing the world's fourth-largest economy (when gross domestic product is expressed in terms of purchasing power parity), which has experienced 6% growth per annum for much of the past decade. Many Indians have never had it so good.

The titles also reflect the nature of the two books. Bennet Jones, a journalist stationed in Pakistan for almost three years, seeks to write a history of the country for readers too sophisticated to be satisfied with purely journalistic accounts of current events but unwilling to wade through scholarly tomes weighed down with footnotes. To an academic, some parts of his book appear somewhat simplistic, or merely descriptive rather than analytical. However, what may be seen as a journalist's tendency to generalise is more than forgiven when Bennet Jones tackles eventful episodes in Pakistan's history.

His chapter on "The 1999 Coup", for instance, is a masterful marshalling of the sequence of events which saw Prime Minister Nawaz Sharif try to out-manoeuvre the threat to his government posed by the army in general and Musharraf in particular. To say that Bennet Jones' description of what proved to be Sharif's frantic last day in power reads like a screenplay—the Prime Minister and his allies seeking to consolidate their engineered internal army putsch before Musharraf, circling overhead in a plane rapidly finishing its fuel, is allowed to land—is not to trivialise his work, but to compliment the author on how well he brings history, especially the motives and actions of its players, alive.

In contrast to Bennet Jones' journalistic prose, the contributors, scholars one and all, to the volume edited by Sumit Ganguly and Neil DeVotta, content themselves with writing straightforward pieces on their chosen topic. This is not to say that the chapters by John Adams, Manu Bhagavan, Barbara Crossette, Ashok K. Dutt, Ainslie T. Embree, Ananda Lal, Pratap Bhanu Mehta, Vibha Pingle, Shalendra D. Sharma, Holly Sims and Ganguly and DeVotta themselves are dull. Yet the ambitious nature of this book, "designed to acquaint students with India's geography, history, nationalist movement, politics, international relations, economy, society, religions, environmental challenges and arts and literature" (p xv), leaves its



contributors with very little room to fully engage with their chosen subject.

Adams, for instance, has just 26 pages to explore the Indian economy, and Ganguly just 18 in which to explain the country's international relations. There are some gaping holes as a result. In my own case, I am shocked to find no mention whatsoever of civil-military relations in India, especially when the conscious decision of military officers not to engage in politics was a hugely important factor in ensuring, in Sharma's own words, the "extraordinary...triumph of democracy in a historically improbable environment such as India..."(p 63).

Ganguly and DeVotta nevertheless should be applauded. I can think of no other single volume which covers so much ground, yet remains affordable to undergraduates (and others) interested in the "marvel and...paradox" (p 1) that is India. For all their enforced brevity, the chapters are uniformly well-written, and adequately illustrated with photographs, tables and maps. My great concern here is that any book, however well-written and reasonably priced, cannot compete with the wealth of interlinked resources, including text, graphics and images (in colour!) offered free to students by the internet. ■

New EIAS Briefing Paper

"EU-DPRK relations"

by Dr Axel Berkofsky

EXTRACT: As far the EU's influence on security on the Korean Peninsula is concerned, the EU is not considered to be a major player and hardly gets mentioned at all. When reporting on North Korea these days, the international media usually refers to Washington's efforts continuing to seek a diplomatic solution with the help of South Korea, Japan and China. Initial hopes that the EU's engagement course could facilitate and encourage a reunification of the two Koreas turned out to be overly optimistic. The prospects for a peaceful German-style reunification too seem non-existent as far as South Korea is concerned. Other commentators are more optimistic suggesting that the costs of Korean unification are relatively low compared to the costs that a nuclear-armed North Korea could cause. However, as North Korea's current socio-economic indicators show, its economy is in a significantly worse state than Eastern Germany's a decade ago, taking a reunification with the North off the agenda as far as South Korea is concerned.

New EIAS Senior Research Fellow

Dr Apurba Kundu has joined EIAS as the Senior Research Fellow on a one year leave-of-absence from the University of Bradford, UK.

After growing-up in Jamaica, India, Ghana and the USA, Dr Kundu gained a BA (Joint Honours) in English Literature/Philosophy at the University of Leeds, an MA in International Affairs at the Johns Hopkins University School of Advanced International Studies in Bologna and Washington DC, and a PhD in Government at the London School of Economics and Political Science. His doctoral thesis examined why India has never suffered a military coup d'état, and this subject forms the basis for his recent book, *Militarism in India: The Army and Civil Society in Consensus*.

At Bradford, Dr Kundu taught a variety of courses on the South Asian Area Studies degree for a number of years before recently moving to the Department of Cybernetics, where he teaches aspects of cyberpsychology, ethics, and web design.

Dr Kundu's research interests include civil-military relations, security studies, and information technology, and he has published articles on these subjects in a variety of journals including *Contemporary South Asia*, *Defence Today*, *Immigrants and Minorities*, *Indian Defence Review* and *Pacific Affairs*.

For the past five years, Dr Kundu has been Editor of the international academic journal, *Contemporary South Asia*. In addition, he currently serves as chair of the South Asian Social Researchers' Forum (SASRF), executive committee member of the British Association of South Asian Studies (BASAS), and editorial consultant for the *Heidelberg Papers in South Asian and Comparative Politics*.

As Editor of *Contemporary South Asia*, and in recognition of his EIAS appointment, Dr Kundu has issued a call for papers for a special themed issue of the journal on "The European Union and South Asia". Preference will be given to articles that examine the inter-regional aspects of political, economic, social and cultural exchanges between the two regions, although exceptional papers that deal with relations between just one EU and one South Asian state will be considered. Dr Kundu encourages EIAS members to consider submitting papers for consideration by the closing date for submissions is 1 May 2004. He is also keen to emphasise that EIAS members are eligible to a **70% discount** off the usual individual subscription rate for *Contemporary South Asia*. Full details of both the call for papers and the discounted subscription rate are available on the EIAS web site. ■



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