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Whither the EU post-Cancún?

by Malcolm Subhan

Can the Doha development round, which was derailed in Cancún, be put back on the tracks by the WTO members when they meet in Geneva in mid-December? Can the market access negotiations on textiles, which are a part of the broader non-agricultural market access negotiations, be resumed in the coming months. European Union (EU) Trade Commissioner Pascal Lamy, thinks so. The paper he has sent the 15 EU governments on reviving the Doha round even looks forward to further reductions in textile and clothing tariffs to as close to zero as possible, on a reciprocal basis*. It also envisages “the more robust developing economies”(read China, India, Brazil) extending tariff preferences to other developing countries, or duty- and quota-free treatment to the Least Developed Countries, a group that includes Bangladesh.

It is clear from the 18-page paper that Commissioner Lamy believes that there are few benefits to be had from further tariff reductions. Thanks to successive tariff negotiations, spread over four decades, average tariffs in the major industrialised countries have fallen to levels at which they no longer present an obstacle to trade among these countries. Tariff peaks remain, especially in the United States, and their elimination must be an important element in the Doha round of trade negotiations. But for Pascal Lamy the two key priorities are (1) a substantial tariff cutting effort by the developing countries, and more particularly by countries such as China, India, Pakistan and Brazil, and (2) a successful outcome as regards the four Singapore issues.

So far the course of the negotiations on tariffs and non-tariff barriers to trade in non-agricultural products has been disappointing, to say the least, in Mr. Lamy’s view. The European Commission’s paper is especially critical of “some influential developing countries” for proposing “modalities for further negotiations” that were “so riddled with exclusions and exemptions that they might well have resulted in a very low level of engagement” had negotiations continued in Cancún.

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So great was the imbalance between the EU's commitment, on the one hand, and that of the more advanced and competitive developing countries on the other, that it would have denied meaningful market access not only to EU exporters but also to exporters from developing countries, according to the Commission's paper.

This is not to say that the EU's chief trade negotiator is opposed to special and differential treatment for developing countries. He accepts that these countries are entitled to provide "less than full reciprocity" in market access negotiations. Their contribution should be in line with their level of development, however; it must not be taken to mean "non participation in the trade negotiations," as the European Trade Commissioner's paper puts it. In other words, while developing countries should be entitled to support poor farmers and provide domestic support, such treatment should be targeted at the poorer, less competitive developing countries.

The largest and most advanced developing countries, on the other hand, should provide preferential access to their markets to the larger number of developing countries in need, according to the European Commission paper. "The G-20, for example, should be invited to offer trade preferences to the G-90 countries." Such improved access would limit the impact of reductions in preference margins resulting from further tariff cuts through multilateral trade liberalisation. The paper concludes that "the biggest developmental gains of the Doha development round will come from ambitious trade liberalisation and the strengthening of multilateral rules." And that "the greatest gains from further liberalisation will come from more South-South market opening."

And this is where the Singapore issues come in. The EU's Trade Commissioner favours strengthened rules for anti-dumping, subsidies and regional trade agreements. But he also sees the WTO as a forum for rule-making in order to encourage trade facilitation, foster productive foreign direct investment, promote fair competition and ensure the procurement of the best goods and services by governments at decent prices. The European Commission's paper rejects both demands that the four Singapore issues be dropped and that negotiations be limited to trade facilitation, the one issue to which there is no deep-seated opposition. It wants WTO members to look at the possibility of negotiating some, or even all four Singapore issues outside the framework of the Single Undertaking. The outcome of these negotiations could then be adopted by interested WTO members on a voluntary basis.

This is the background against which Commissioner Lamy sees the resumption of the negotiating process on tariffs and non-tariff barriers to non-agricultural products. The EU's earlier approach to market access

remains valid. This approach, as the Commission paper maintains, "should remain anchored to a simple, single non linear tariff reduction formula applied to all tariff lines." It should result in the elimination of tariff peaks and in tariff bindings at much lower levels. At the same time the EU maintains its earlier proposal to negotiate, over and above the agreed tariff formula, further reductions in textile and clothing tariffs. These reductions would be as close to zero as possible, and would be made on basis of reciprocity.

The crucial question is whether the position outlined in the European Commission's paper will in fact bring about the desired result - reviving the Doha development round. On the key issue of agriculture the European Commission's paper points out that the reform of its agricultural policy last summer allows the EU "to contribute to the Doha negotiations through an approach based on further, significant trade opening." The reform process, in other words, "has anticipated in a sense on the achievement of the Doha objectives." What the Trade Commissioner is getting at is that concessions on agriculture are unnecessary at this stage, because the EU's offer has yet to be discussed seriously, given that the G-20 blocked any discussion of it in Cancún.

Commissioner Lamy admitted to the press that the European Commission's paper contained "substantial, but no fundamental" changes. "We haven't necessarily put on the table everything that we have in our pockets," was how he explained the EU's position to a French newspaper. WTO members meeting in Geneva on December 15 will have to decide whether Mr. Lamy's pockets do contain something of value. ■

* The paper, entitled "Reviving the DDA Negotiations – the EU Perspective" was prepared by Commissioner Lamy's department and adopted by his colleagues on the European Commission, the EU's executive arm. But he clearly provided most of the input, and he will have to defend it before EU ministers in the run-up to the forthcoming WTO meeting in Geneva.

Pascal Lamy, commenting on his paper "Reviving the DDA Negotiations"

"After the failure in Cancún, it was clear that 'business as usual' was not an option. We needed to have a deep look into what went wrong in Cancún, and draw the necessary conclusions. We have listened carefully to all points of view inside and outside Europe, and we believe there is now enough support to get the train back on track.

Indeed, the very strong feeling inside the Commission is that the multilateral system should be the European Union's number one priority to harness globalisation, to deliver on EU objectives, and to secure a real development round."

ASEM and civil society – Need for a new dynamic

by Dato' Deva Mohd. Ridzam

What are the stated aims and the 'not-so-stated' goals of the Asia Europe Meeting, ASEM? It is a fact that ASEM came into being at a time when much of the world was in awe of the Asian Tigers. It is quite understandable, therefore, that the 'economic' factor - i.e. lure of contracts and deals, not governance issues, human rights, civil society, or sustainable development - was the overwhelming motivation that led to ASEM's founding.

However, at the inaugural Summit (Bangkok, 1996), good sense prevailed, and the leaders agreed that the new body should not replicate APEC, with its narrow economic focus. They did not want ASEM to be a purely economic forum – and rightly so. They felt that the relationship between Asia and Europe needed to be broad and holistic - inclusive rather than exclusive in terms of agenda and focus.

It was agreed that the partnership shall comprise three pillars: economic exchanges, political dialogue and “promoting co-operation in other areas,” including culture. This was the trinity on which a long-term, substantive relationship should be built between Asia and Europe.

The three-dimensional basis for co-operation is, in itself, also recognition on the part of the leaders that for a long-term relationship to be sustained, it cannot rest on purely mercantilistic considerations. In a sense, the leaders wanted to nurture a balanced, if not a more equitable, partnership between Asia and Europe.

Bonding the EuroAsia landmass through ASEM

It is quite clear, from the foregoing, that the leaders at the Bangkok Summit must have – consciously or sub-consciously - intended ASEM to set in train a process that would eventually lead to a bonding of Asia and Europe, one involving students, academia, cultural groups, opinion makers, media, both the young and elderly and much else. It therefore follows that whatever initiatives or projects are undertaken and, more importantly, the overall dialogue process itself, must be seen as a means towards this end or vision – i.e. the bonding of peoples of the EuroAsian continent.

If it is accepted that bonding is indeed at the very heart of the 'not-so-stated' aim of ASEM, then it is definitely important that the ASEM partners reach out to members of civil society who play the role of

multipliers of what can be called the Asia-Europe message. Members of civil society, after all, are the only ones who are concretely available on the ground most, if not all, of the time.

To deny civil society a role in the ASEM process is to admit that ASEM is only an inter-governmental forum – in which case let us also do away with the Asia Europe Foundation (ASEF) and all the other activities outside the intergovernmental context. But this is not the intention of the ASEM partners, of course.

As a matter of fact, if one examines the Chairman's statements issued at all previous Summits, one will find the leaders encouraging initiatives that reach out to the general public of both regions, and insisting that the process should embrace “all sectors of (civil) society.” The Asia-Europe Co-operation Framework 2000 (AECF 2000) emphasises the involvement of “all sectors of society...thereby promoting the human dimension in the ASEM process.”

The leaders clearly state in the very first paragraph of AECF 2000 that “all participants agreed to work together to create a partnership, to build greater understanding between the peoples' of the two regions...” In paragraph 4 they talk about “building a comprehensive and future-oriented partnership...” In short, ASEM leaders were speaking of bonding between not only their two regions but also civil society.

Civil Society- the missing link?

Why have we all but forgotten the 'not-so-stated' aim about bonding and, in particular, the role of civil society that lies behind the founding of ASEM. There are several reasons for this, including the following:

- ◆ After the 1997-98 Asian financial crisis, the euphoria that heralded ASEM's establishment largely evaporated. Eight years on ASEM, which began with high hopes and promise, is often dismissed today as '*something*' with potential and nothing more.
- ◆ the lack of serious engagement on the part of some, if not most, EU partners in ASEM. The poor participation by EU Foreign Ministers at meetings meant specifically to strengthen the Asia-Europe dialogue continues to be a drag on the ASEM process. Perhaps EU member states take the transatlantic partnership as a basic, even at the risk of playing second fiddle to US while, at the same time, fudging that it is different from the US. The *political dialogue*, therefore, *is on the rocks today*.
- ◆ The AEBF (Asia-Europe Business Forum), which was set up to promote greater economic exchanges, is also being described today as "*not working well*", leaving the *economic pillar in a limbo*.



- ◆ ASEF - Asia-Europe Foundation - whose core mandate of people-to-people contacts, cultural exchange and intellectual discourse has perhaps not been implemented sufficiently to lay the ground work for connecting members of civil society from the two regions. Here, too, the third pillar seems to be *going nowhere*.
- ◆ While it is easier to agree to co-operate on 'hard issues,' such as terrorism, security, and the like, the inability of the ASEM partners to agree on a common agenda for civil society participation in a whole range of 'soft issues' (such as the dialogue on issues of governance and human rights) remains a problem, leaving by the wayside the question of 'bonding' between the peoples of the two regions.

Concerns about the New Imperialism

It may be useful to point out that pronouncements by senior officials from EU institutions have not created the confidence needed to bring members of civil society into the ASEM process. There have been suggestions that the time has come for the EU to go into the business of nation- or state-building, or to embark on an adventure to "remake the world order," by the use of "soft power" or, if that fails, with brute and crude force. There is a danger that some individuals or groups have become evangelists for ideas, if not a new gospel, on how the world should be run in this day and age.

Speaking about the "Wider Europe Policy," the EU's Enlargement Commissioner, Gunter Verheugen, was quoted in the February 10, 2003, issue of the "*Financial Times*" as having said: "It is a very clear dictatorship in Belarus and Moldova – it is very fragile. Somehow, we have to support civil society as a first step."

Writing in a personal capacity a prominent scholar-diplomat, Robert Cooper, currently Director-General for External Affairs at the European Council, advocates pre-emption and favours regime change in certain circumstances. He also talks about the 'new imperialism' that is compatible with human rights and cosmopolitan values. The world has hardly shaken off the old imperialism to find that a 'new imperialism' is being promoted.

With such sentiments being expressed openly and in such high places, some of ASEM's Asian partners are forced to ask whether some within the EU have not acquired of late a new 21st century itch to remake the world order, or to act as nation- or state-builders. Surely there are not many at this Consultative Seminar, including members of civil society, who would entertain such views. We are living through difficult times today. There appears to be a crisis in the conduct of international relations. However, both ASEM

regions can work together to help restrain the tendency towards unilateralism, and the mindless slide towards fragmentation and confrontation, by seeking peaceful solutions to the problems confronting us in the 21st century.

The ASEM's Asian partners should not be unduly cautious in dealing with civil society. There is nothing to fear in engaging them. Members of civil society, including those from Asia and Europe, worked very well together at the WTO ministerial meeting in Cancún recently. NGOs in fact have assisted governments of developing countries in the political and technical aspects of the WTO negotiations, particularly as regards drug patents and public health issues. In other words, so long as members of civil society come out with a positive agenda, they can contribute immensely to ASEM.

The Way Forward

Civil society groups from both regions have come together on their own to form the *Asia-Europe Peoples' Forum (AEPF)*. It has met during every ASEM Summit. While it is obvious that AEPF does not represent all of Asian and European civil society, it shows at least that there is an interest in bonding the EuroAsia continent among individuals and groups in both regions. The AEPF has met senior officials on its own volition at every ASEM Summit.

The AEPF and other groups have also come up with proposals to set up a *Social Forum* in parallel with the Asia-Europe Business Foundation. The problem is that opinions remain divided here among the partner countries. However, creating a 'new pillar' is not the answer, at least, at this point in time in the life of ASEM. There is no point in 'talking up' progress in ASEM by establishing a new pillar. What partners ought to do is pause, take a deep breath and ponder the common purpose they agreed to in Bangkok in 1996. It is therefore time to reflect on where ASEM is going, the purpose it serves, and the added value it can provide.

Members of civil society present here may not be aware of the concern among ASEM partners over the proliferation of projects, many of which are not going anywhere. They feel that they first have to come to grips with this problem before anything new is initiated. This is not to say, however, that the partners should not encourage greater interaction between members of civil society in both regions whenever possible. While we could very well have a "fourth pillar" to deepen our relationship, it should only come about when substance warrants it.



Make Small Things Better

Civil society certainly has a place in the ASEM process. The question is whether we ought to be creating a new pillar at this juncture. At the same time, no one – least of all members of civil society – would like to see an ASEM-sponsored civil society being ‘manufactured’, because no one would be proud of such a pedigree. Instead, interaction between members of civil society in both regions should be encouraged wherever possible. Let us not forget that Euro-Asia civil society interaction predates ASEM, and the enduring nature of these relationships.

Given the above, in the run-up to ASEM V in Hanoi in October 2004, we should encourage members of civil society to indicate how they would like to participate in the ASEM process, albeit in a step-by-step, incremental manner. There is great merit in making small things better; none in making grand but hollow gestures. The way to make things happen is to come out first with a positive agenda for consideration by leaders at the forthcoming ASEM Summit.

We also look forward to our Vietnamese hosts putting forward some innovative ideas as to how members of civil society can contribute, in a meaningful and positive manner, to the ASEM process in the margins of ASEM V and in line with the Lanzarote Guidelines.

Need for a New Dynamic

It may be possible to bring members of civil society on board if they, rather than seconded civil servants, were to take over the management of ASEF. What is needed is for prominent individuals (artists, opinion leaders, educators, etc.) to devise programmes that reach out to people in both regions in imaginative ways. Their involvement in designing and implementing programmes would not only bring about greater transparency, but also provide legitimacy.

Nor should we forget the directive of Foreign Ministers regarding ASEF. At their meeting in Bali in July 2003, they requested ASEF to provide further cost-benefit analysis as well as a management strategy for ASEF. While we await these two inputs, this Consultative Seminar may wish to consider the following points:

- ◆ Firstly, whether members of civil society are ready to assume some of the functions of ASEF. They could head hunt various candidates to design and implement programmes. The names could be forwarded to ASEM partners and the ASEF Board of Governors.
- ◆ Secondly, ASEF should conduct a cost-benefit analysis of its activities and decide which ones can be dispensed with. Not every initiative can be worth continuing.
- ◆ Thirdly, ASEF should take the initiative to consider further collaboration with the AEPF.
- ◆ Fourthly, ASEF should consider how it can reach out to sectors of society it has not previously engaged with, perhaps with the help of AEPF and others.

Finally, bonding between the two regions of the EuroAsian continent can only be meaningful when initiatives and projects involve societies and peoples of both regions as close to grassroots level as possible. This might sound idealistic. But, it should not be forgotten that ASEM is only an instrument to bond the peoples of both regions. In other words, bonding is the aim, the goal, and the objective, while ASEM is only a mechanism. This has always to be borne in mind for the simple reason that even if ‘official ASEM’ were to fail, what ultimately matters is that bonding should succeed at the society and peoples’ level. In fact, if bonding succeeds, ASEM will have served its purpose, even if ASEM itself is short-lived.

The European Commission is to be congratulated for having funded and organised this Consultative Seminar. Even if it is not part of the ASEM process, this seminar would surely help drive the ASEM process forward because of the participation of civil society. The European Parliament should also be commended for the support it has given to the ASEM process. It is to be hoped that the European member states will follow suit. The work done by the European Institute for Asian Studies (EIAS) in organising such seminars in previous years should also be acknowledged. ■

The writer is the Ambassador of Malaysia to Belgium, Luxembourg and the European Union. He wrote this paper, which he presented at the Asia-Europe Consultative Seminar held in Brussels in November, in his personal capacity.

New EIAS Publication Series - EIAS Policy Briefs

The Role of the European Union in the ASEAN Regional Forum, by Dr Axel Berkofsky

The ASEAN Regional Forum (ARF) is Asia’s only regional security forum. Established in 1994, the ARF deals with both conventional security issues, such as nuclear proliferation, as well as non-traditional ones; for example, terrorism, trans-national crime, the arms trade and human trafficking. The organisation operates via both Track I diplomacy, including ARF Foreign Ministers’ meetings, Senior Officials’ Meeting (SOM), and the Intersessional Support Groups on Confidence-Building Measures (ISG), and Track II diplomacy, such as non-official seminars, workshops and conferences dealing with Asian security issues.



China and Chinese Taipei: The challenge that confronts them & all members of the WTO

by Keith M. Rockwell

The accessions of China and Chinese Taipei surely rank among the great achievements in the young history of the World Trade Organisation. In bringing these two trading powers into the rules of the global trading system, Member Governments took an important step towards making this a truly *World Trade Organisation*.

Accession to the WTO means that two of the most significant players in global trade now play by the same rules, enjoy the same benefits and face the same responsibilities in the multilateral trading system as 144 other governments. Plainly, China and Chinese Taipei were simply too big and too important to world trade to be left outside the global trade community.

In 2002, China ranked fifth among the world's exporting nations with US\$325 billion in exports. Chinese Taipei ranked 14th with exports of \$130 billion. Both China and Chinese Taipei became members after arduous negotiations. In the case of China the negotiations lasted 15 years, for Chinese Taipei the process took 10 years. Accession negotiations, which involve a multilateral negotiating process for rules and bilateral discussions on market access are always difficult. In the case of China and Chinese Taipei, this process was even more complex, for a variety of special reasons.

But today, it is the consensus view that membership for these trading powers has been an extremely positive development, both for China and Chinese Taipei and for those doing business with them. Membership has brought them increasing predictability, certainty and transparency under global trade rules. It has brought them access to the WTO's dispute settlement system and it means that both Beijing and Taipei have a seat at the table as the 146 WTO Member Governments engage in the challenging task of drawing up new trade rules for the 21st Century. Membership also means that those trading with or investing in China or Chinese Taipei can do so with a degree of security that heretofore was lacking.

This assurance has enabled those doing business in either place to broaden and deepen their business relationships. Both new members have been active in the work of the WTO. Both have made important contributions to the Doha Development Agenda negotiations. In some cases, like the negotiations to improve market access for industrial goods or the need

to take into account the concessions made by newly acceded members, the positions of the two are similar. In other cases, agriculture for example, the positions diverge. But this is to be expected as interests of member governments differ on the various subjects on the negotiating agenda.

There has, frankly, also been a degree of controversy linked to the two since they joined the WTO. Although the special review mechanism that China faces each year went smoothly last year and has gone even more smoothly this year, there has been some criticism that China has not moved quickly enough in open its market to agriculture imports, foreign insurance, banking and distribution companies. Chinese Taipei and China have also engaged in an ongoing dispute over nomenclature. Moreover, the two differ on how a dispute between them would be handled.

But the reality is that both new members have entered the WTO in remarkably smooth fashion. Both have taken a pragmatic approach to membership by keeping unnecessary political questions out of the way. Both have contributed constructive negotiating proposals -- seeking ways to bridge differences and find solutions to the problems that confront the organisation. Both members played important and statesmanlike roles in our recently concluded Ministerial Conference in Cancún.

Taken from a broader vantage point, there can be no doubt that the disagreements and controversy linked with these two are minor indeed when compared with disputes that have arisen between and among other WTO Member governments. More importantly, these disagreements seem all the more mundane in light of the unsatisfactory outcome at the Cancún Ministerial Conference. Failure by Ministers in Cancún to advance the Doha Development Agenda, and the corresponding disruption of the talks in Geneva has frankly put all other WTO related problems decidedly in the shade -- for China and Chinese Taipei and for the 144 other Members of the Organisation. Let me be clear on this, for China and Chinese Taipei there is no WTO issue more important than resuscitating the Doha Round.

China and Chinese Taipei joined the WTO in the warm afterglow of the successful Doha Ministerial Conference in 2001. Their first months of membership were dedicated to putting in place the infrastructure for the first global trade round in eight years. Negotiating groups were established. Chairpersons were selected. A site for the 5th Ministerial Conference was chosen and work got underway in an atmosphere of great optimism. Today, the atmosphere is very different. Following, the setback in Cancún, the WTO and the global trading system which it oversees face a sharp challenge: How to put back on track global trade negotiations which are widely acknowledged as crucial



to development, economic stability and better geopolitical relations?

For the moment, negotiations in Geneva have ground to a halt and some major players have gone into withdrawal mode. Achieving the 1 January 2005 deadline for the DDA which was set in Doha in 2001 is still technically possible, although the failure to achieve progress in Cancún has lengthened the odds on our meeting this target. How did these negotiations run off the rails and what will it take to get them back on again?

To some extent the setback in Cancún was foreshadowed by the inability of negotiators to hit the many intermediate deadlines set for them by Ministers in Doha. The deadline for agreeing on Special and Differential Treatment was missed three times. Deadlines to establish negotiating modalities for agriculture and non-agriculture market access were missed. Perhaps, most disappointing of all was the failure last year to reach agreement on enhanced access to life saving drugs for countries lacking the capacity to produce such drugs generically. These missed deadlines contributed to a growing disenchantment among developing countries that the development dimension to the DDA was being overlooked. Grumbling set in and the finger pointing began. But in spite of these missed deadlines and despite the grumbling, the situation was never as bleak as it appeared. In fact, progress was being made across all fronts.

Yes, deadlines were missed, but quite a lot of important technical work had been done in both agriculture and non-agriculture market access. The United States and the European Union reached agreement on the outline for agreement on agriculture. There were gaps in this accord to be sure, and many developing countries criticised the agreement as lacking in ambition. But the fact remains that the two great trading superpowers showed leadership in setting aside their differences to produce a framework on agriculture, and that proposal advanced the negotiations by stimulating many others. Yes, members could not agree on how to settle the 88 Special and Differential proposals that had been put forward by developing countries. But in Geneva negotiators did reach agreement on 24 proposals and Ministers agreed another 4 in Cancún. Yes, the access to medicines deadline was missed in December, but Members reached an historic agreement on this issue in August.

The Heads of Delegation process conducted by General Council Chairman Carlos Perez del Castillo and Director General Supachai Panitchpakdi produced a text in which three quarters of the issues were agreed by all Members before we left for Cancún. Members also agreed last year on new guidelines designed to ease the burden on Least Developed Countries

applying for accession. Subsequently, Nepal and Cambodia became the first LDCs to accede to the WTO, although 29 countries which were members of GATT became WTO members automatically. The accession of these two countries was agreed in Cancún; events which marked the high point of the Cancún meeting.

The preparations in Geneva may have been slow in starting, but by the time we left for Cancún in early September real progress had been made and momentum was building. The achievements of the last few weeks coupled with a realistic adjustment in the expectations of what Cancún could achieve raised hopes that the Ministerial Conference would be a success. Governments did not descend upon Cancún determined to finalise an agriculture or NAMA modalities text. The objective was merely a framework for such modalities and timeframes for their completion. Lowering the bar in this way seemed to bring a successful outcome in Cancún within reach.

So what happened? There has been much speculation about what went wrong and who is to blame. My own assessment is that finger pointing is both disingenuous and decidedly unhelpful to getting the process restarted. In fact, the failure of Cancún was a collective undertaking. Certainly, some negotiators employed some questionable tactics and many signals foreshadowing a willingness to shift positions were either missed or so muddled as to be incomprehensible.

Some negotiators clearly lacked experience in negotiating in the often chaotic, hothouse atmosphere of a WTO Ministerial Conference – a development which highlights the need for continuing and perhaps increased levels of trade related technical assistance. All of these elements combined to short-circuit the possibility of making the significant progress we needed in Cancún to keep the Doha talks on track for completion by the end of next year. Two decisions taken in Cancún have been the subject of some criticism, particularly in European capitals. The first was the decision taken by Mexican Foreign Minister Luis Ernesto Derbez and Director-General Supachai to focus initial attention on the so-called Singapore Issues during the final day of negotiations. The second was the decision taken by Minister Derbez, who chaired the Ministerial Conference, to end the meeting when the talks on Singapore issues collapsed. Rumour and speculation on the motives of Minister Derbez and the Director-General, quickly filled the corridors in Cancún and have wafted over the many meeting rooms in Geneva ever since. But these criticisms, often spread by those with no first hand knowledge of what had actually transpired, are well off base.

The decision to begin with the Singapore Issues, which include trade and investment, trade and competition, trade facilitation and transparency in government



procurement, was sound. In Doha it was decided that Ministers must make a decision at the 5th Ministerial Conference as to whether to commence negotiations on these issues. In Cancún, we did not see until the final day any narrowing of the vast division between governments. There were some governments which said negotiations should begin on all four sectors, others suggested negotiations in some areas but not others, while still others were adamant that none of these areas should be the subject of negotiations. At the Heads of Delegation meeting the night before the meeting concluded it was the Singapore Issues which were the most inflammatory and which inspired the greatest degree of anger between Member Governments.

The linkage between the Singapore issues and other areas of negotiation, particularly agriculture, was well-known by all participants. There were, moreover, strong indications by some delegations in Cancún that failure to commence negotiations on Singapore issues would harden already fierce resistance to an ambitious agreement on reforming agriculture trade. When it became clear that negotiations were impossible on any of these issues – including trade facilitation – it was also clear that it was pointless to continue. To begin agriculture negotiations, to attempt to bridge differences on the cotton initiative proposed by four West African states, to try and find resolution on NAMA and the development issues – in the few hours that remained -- would have been folly in the tense and heated environment that was pervasive that last day of the meeting.

Remember as well that the dozens of Ministers participating in the final negotiation raised no objection when Minister Derbez called an end to the conference. The decision taken by Minister Derbez was the only sensible one available to him. What followed the end of the negotiations was a bit chaotic and a bit surreal. All the Ministers in those final negotiations were dispirited. Yet these long faces stood in sharp contrast to the jubilation expressed by some delegates who cheered a breakdown which portends extremely negative consequences for them. No one denies that anything which delays significant reductions in farm subsidies or major market opening in rich countries is detrimental to development efforts – a reality which has dawned on everyone in the cold aftermath of Cancún. No one is cheering the Cancún outcome today.

This setback is indeed a pity, but it's important to recognise that some benefits *did* emerge from the meeting. Some important lessons *were* learned. First, we seem to have hit upon a process for the preparations and conduct of Ministerial Conferences which meets with near universal approval. Minister Derbez, the Director-General and the Chairman of the General Council have conducted processes which were transparent, inclusive and as efficient as possible given

the difficulties associated with forging consensus among 146 nations. For the very first time, all nations participated actively in this meeting. It has also become clear that tactics which have been traditionally employed need re-visiting. The tactic, for example, of waiting until the very last minute before indicating flexibility has little chance of succeeding when so many players are involved, particularly those who require time to analyse changes in positions.

Second, the setback in Cancún has galvanised many nations into a more active negotiating mode. At the Heads of Delegation meeting in Geneva on Tuesday, a number of African countries urged their trading partners to return to the negotiations. These countries hinted at flexibility in their positions and they warned of the dangerous consequences for them should, as one delegate put it, "the trading system be exposed to the vagaries of bilateralism, regionalism and protectionism."

Ministers and representatives from 12 nations, including China, which were active in the G-21 in Cancún issued a very supportive statement last week in Buenos Aires, calling for the resumption of work in Geneva in "a constructive spirit" and committing themselves "to personally engage as far as it contributes to facilitate the negotiations in Geneva." Third, governments now know each other's positions far better than before Cancún. They know the limits of their negotiating partners and they have perhaps a more realistic understanding of what can be achieved.

Lastly, there is a constructive mood in Geneva. Unlike the post-Seattle environment, which was full of vitriol and misgiving, post-Cancún has so far been characterised by the business like and conciliatory stance taken by virtually all members. Recriminations and finger pointing have been kept to a minimum.

Director-General Supachai and General Council Chairman Perez del Castillo have already begun to pick up the pieces. Both men have been holding extensive consultations with Ministers and delegates. The Director-General has had contact with more than 20 ministers and is meeting with about 10 ministers this weekend in Bangkok on the margins of the APEC summit. Both men report that in their dealings with Member Governments, there is a strong desire to get the process back on track.

The Director-General has also strongly advised governments not to engage in lengthy arguments about process or reform of the institution. While the question of reform is important for the DG – he has established a commission to examine this question and report to him early next year -- his view, and it is one which is widely shared, is that embarking on the complex undertaking of institutional reform for the WTO would



distract governments considerably from the task of getting our negotiations restarted.

For the rest of the year, the process will focus on how to move forward in four areas, agriculture, the cotton initiative, NAMA and the Singapore issues. The objective is to have our process back on track and functioning well by the end of the year and to produce a "roadmap" for future work. A meeting of Senior Officials is scheduled for December 15 to facilitate such an outcome. Whether we can succeed in this, admittedly difficult challenge, depends on the answers to three questions. First, who will push the process forward. Clearly, the traditional forces driving the multilateral trading system for more than 50 years, the US and the EU have adopted a wait and see approach. The Americans want to see real indications of their partners' willingness to engage on the issues. The EU has taken a pause for introspective analysis on their future position. Importantly, neither of these two trading powers has indicated they would not engage or support the process. What is clear, however, is that for the time being they will not lead.

Who will step into this vacuum? This is something upon which officials in Beijing and Taipei may wish to reflect. Certainly, constructive proposals from these important Members as to how we can get back to serious work would be most welcome. A second, and related question is how the events of 2004 will impact upon our work. Next year will bring, among other things, elections in India, the United States and possibly Canada, a substantial enlargement of the EU and a new EU Commission. The last and perhaps most important question is: Do member governments really want to achieve progress? That is to say, are they prepared to summon the political courage required to take on the established interests which benefit from the status quo – often at the expensive of the vast majority. For China and Chinese Taipei, the answers to these questions will be very important indeed because what is at stake is the future relevance of the global trading system.

Both of these important Members undertook an arduous process of reform to accede to the WTO. They were forced to wait a very long time to join the ranks of WTO Member Governments. Clearly, they have invested too much in this Organisation to allow the WTO to spin its wheels into obscurity. Thank you very much. ■

Mr Keith M. Rockwell is Director of Information and Media Relations at the World Trade Organisation in Geneva. This is the full text of a speech he gave to a conference, co-organised by the European Institute for Asian Studies in October 2003 on "Taiwan and China in the global communities".

Mahathir: National Hero, Global Bad Boy?

by Dr David Camroux

With the retirement of Malaysian Prime Minister Mahathir Mohamed not only has Malaysia lost the leader who perhaps more than any Malaysian Prime Minister - including the 'father of the Nation' Tunku Abdul Rahman – marked that country's contemporary history. But also, South-East Asia sees the departure of the last of its 'heavyweight' leaders who were marked by the period of independence. A page has been turned, even if, as I will suggest, a certain continuity can be expected in the policies pursued by his successor Abdullah Ahmad Badawi.

Any judgement on the twenty-two years of Mahathir's prime ministership must be nuanced. While plans for teaching courses in "Mahathirism" in schools and universities seem to have been shelved, Mahathir in the last year of his office has been the object of numerous studies ranged from the hagiographies to serious critical analysis. During the course of his twenty years in office, Malaysia has undergone an extraordinary economic and, to some extent, social transformation. According to World Bank statistics in Purchasing Power Parity (PPP) terms Gross National Product (GNP) per capita was US\$2,320 in 1981, but had almost quadrupled to US\$8,920 in 2002. During most of the 1980s until the economic crisis of 1997-8, Malaysia experienced double digit growth rates. Malaysia's rebound from the economic crisis, which saw negative growth of - 7.5% in 1998, was rapid, with 6% growth in 1999 and United Nations Conference on Trade and Development (UNCTAD) forecasts for just over 4% in 2003.

These growth figures reflect the transformation of Malaysia from an exporter of natural commodities to a manufacturing hub. With this growth has occurred a rapid urbanisation of Malaysia and a concomitant increase in the middle class, especially the Malay middle class. Two questions, however, come to mind. On the one hand, to what extent were Mahathir and the policies pursued by him responsible for this growth and, on the other, how did Mahathir and the policies he introduced impinge on the social and political side effects of this economic transformation?

Dealing with the first question, it could be argued that many elements were already in place prior to Mahathir's appointment as Prime Minister. The solid rural base of the Malaysian economy and the country's rich endowment in energy sources provided the launch pad for industrial development. The export of palm oil and the *largesse* of the national petroleum company,



Petronas, were vital in the economic turnaround after the 1997-8 crisis. Furthermore, the peculiar Malaysian blend of economic nationalism with affirmative action objectives in favour of the Malays was introduced in the New Economic Policy in 1971. Mahathir also continued a form of multi-racial governance through the Barisan National which has its origins in the “ethnic bargain” installed at the independence in 1957 of the Federation of Malaya.

The regional context should also not be minimised in analysing the economic transformation in Malaysia. Prior to Mahathir but most particularly under his prime ministership, Malaysia adopted its variant of the Asian Developmental State model. In the Malaysian context, the second essential element of the model, after that of export-orientation, namely State interventionism, was given by far the greatest prominence amongst all the countries of South-East Asia and, with the benefit of hindsight, with quite positive consequences. Prior to the economic crisis of 1997-8, Malaysia received in absolute terms as much foreign direct investment (FDI) as Thailand and Indonesia, countries with a population base of between three and ten times that of Malaysia. Why? Two major factors explain the “attractiveness” of Malaysia for foreign investors.

The first is the infrastructure base in Malaysia itself. Under Mahathir very substantial investments were made in the physical and, to a lesser extent, intellectual infrastructure - roads, railways, manufacturing zones, universities, *et cetera* - within Malaysia. Malaysia, it should be noted, has the largest public sector element in its economy amongst all the countries of South-East Asia. The second element is the degree of political stability that Malaysia offers. By one measure, that of political transition from one political leader to another, Malaysia has the distinction of being basically the only country of post-independence non-communist South-East Asia where this has always occurred peacefully. The transfer of power from Mahathir to Badawi confirms this trend whose significance should not be under-estimated. But political stability at what cost? A point to which I shall return later.

While I do not feel that Mahathir himself can be held responsible for the broad changes in the economic and social situation in Malaysia, I do feel that he is responsible for the internal forms manifested by these transformations. In particular, the peculiar nature of the Malay entrepreneurial class, dependent less on their business capacities than on their political connections, is a result of the cronyism that Mahathir and Anwar in a sense, despite their best intentions, helped install. Mahathir also determined the parameters of the most important spin-offs of the socio-economic transformation that Malaysia experienced, the Islamic resurgence that now determines the political agenda within Malaysia. By astutely bringing Anwar Ibrahim, the former leader of the Muslim student movement,

ABIM, into his government, Mahathir had hoped to cut the ground from under the political opposition represented by the PAS. Unfortunately he found himself involved in a spiral of raising the Islamic stakes with the risk of alienating the non-Malay minority.

If one was to summarise Mahathir’s role in the last twenty years, I would argue that he has been the filter / gatekeeper / interpreter of the pressures of globalisation within the Malaysian polity. In the last twenty years, partly due to a muzzled press at his service, the only window on the world that Malaysians generally have known is “Dr M.”; this is explainable for very sound economic reasons. The peculiarity of Malaysian economic and political practice is twofold. On the one hand the combination of the most nationalistic economic policy in South-East Asia (and the concomitant largest public sector in ASEAN) with such an opening to the outside world that placed Malaysia during the 1980s and most of the 1990s “at the top of the hit parade” for foreign investors in Asia.

The economic crisis of 1997-8 revealed the disparity between the political discourse for an overseas audience and that destined for local consumption. Anwar Ibrahim, Mahathir’s deputy, was sacrificed largely not only because he was seen as the prodigal son who had betrayed his father but, also, because he was seen as the custodian of the economic orthodoxy of the IMF / World Bank and, therefore, opposed to Malay interests. Mahathir was to be vindicated. The remedies that he proposed - pegging the *ringgit*, freezing investment within the country, *et cetera* are now considered by the Bretton Woods’ institutions as appropriate, if temporary, responses to the type of economic crisis that Malaysia confronted. The risk at the time was however to make Malaysia an outlaw state for the financial community in Asia.

Nevertheless, Bin Laden saved him... indirectly. The despicable attack of 11th September 2001, perpetuated in the United States, but directed principally at a number of Middle Eastern regimes have had, as one of their spin-offs, to redefine the agenda of international relations. The geo-economic considerations that characterised the decade after the end of the Cold War, gave way to more classic geo-political concerns within the framework of the war against terrorism. In this context, erroneously expressed, in my view, in terms of relations between nations, Mahathir’s Malaysia found a new legitimacy and Mahathir himself, a new respectability. To put it as a caricature, if Malaysia as a moderate, economically successful Muslim state did not exist... it would have to be invented. What other nation, with the very partial exception of Tunisia, has shown that Islam and economic development are not incompatible?

Yet, in the end as his last speeches indicated, Dr Mahathir leaves office with some degree of bitterness. His recent criticism of his own people, the Malays, as lacking initiative and needing constant state assistance are not terribly different from his views in his “The Malay Dilemma” published some thirty years ago. The ideal of creating a Malaysia Baru (Malaysian nation) where ethnic divisions will be overtaken is perhaps even more elusive than previously believed. Malaysian politics has not yet evolved from the ethnically structured – and imposed – guided democracy of the 1970s. The Islamic resurgence has tended to further separate communities rather than bring them together. Finally, the scars and divisions in the Malay community created by the sacking and imprisonment of Anwar Ibrahim have not completely healed. The opulence of cronies and the taint of corruption still offend the values of pious Muslims. In a sense, Mahathir, by destroying the independence of the judiciary, gerrymandering an electoral system to always ensure a governmental majority and imposing a heavy-handed climate of self-censorship in the media, stifled awareness and debate of Malaysia’s underlying problems. But breaking the thermometer does not cure the malady. The economic prosperity that Malaysia has largely enjoyed under Mahathir has dulled awareness of the underlying problems. Perhaps that is an achievement in itself. ■

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Letters to the Editor

The policy of *EurAsia Bulletin* is to engage and inform our readers on a wide range of European and Asian issues. As part of this dialogue process and also to encourage reader participation, the Editor, Malcolm Subhan, will accept Letters to the Editor, on any aspect of the publication. The Editor reserves the right to print letters in whole or part. Letters may be sent by post, fax or email and should include the name, address and contact telephone of the sender to permit verification. Anonymous or pseudonymous letters will not be published.

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China’s Political Transition: Trends and Prospects

by Professor Wei-Wei Zhang

China’s Political Transition: What Has Been Accomplished?

The Chinese experience since 1978 is often described as “economic reform without political reform”. Yet any significant change of the communist economic system, as has been the case with China, inevitably entails a considerable reform of the political and administrative system. In this context, the Chinese experience may better be described as “great economic reform with lesser political reform”.

The significance of China’s economic reform not only lies in the rising living standards of the people and fast expanding foreign trade, but also in its profound implications for China’s social and political life, the most important of which is the fact that the reform has in fact dismantled what can be called the economic and institutional basis of totalitarianism.

Institutions underpinning omnipresent state control have crumbled or substantially weakened: with the rising prosperity, the rationing system for consumer goods disappeared; with growing social mobility, household registration (*hukou*) and personnel dossier system (*dang-an*) have significantly loosened up; and most people are no longer dependent for their livelihood on the state or their workplace (*danwei*), as most wealth and jobs in China today are generated outside the state sector.

Economic reform has not only brought about greater prosperity, but also created unprecedented opportunities for people to pursue their own interest and shape their own destiny. The average Chinese has today far more freedom of personal choice than anytime since 1949. Individuals can make their own choice for jobs, housing, school, marriage and leisure, and can move freely within the country or go abroad given proper means.

From the perspective of most Chinese, this marks a monumental change from Mao’s total political control, and this change, in all fairness, is indispensable from a number of “lesser political reforms” adopted since 1978. It is worth mentioning some of them here:

- ◆ First, mass ideological campaigns based on the Maoist doctrine of class struggle and creation of the ‘socialist new man’ were repudiated so that people could pursue their normal life and material interests;



- ◆ Second, virtually all political victims under Mao, numbering tens of millions, were rehabilitated, including many professionals whose skills are indispensable for China's modernization;
- ◆ Third, across China's vast countryside, the people's commune was abolished, thus ending this rigid system of political, economic and administrative control that had impoverished Chinese peasants;
- ◆ Fourth, the village-level election has been carried out in the Chinese countryside, which is a massive political experiment to introduce rudimentary democracy. This practice is now being introduced into some cities as pilot-projects for neighbourhood-level elections, and
- ◆ Fifth, there are other political reform experiments, such as the cadre rotating system to break guanxi networks as well as the practice of "small government and big society", which downsizes bureaucracy and forsakes its many functions that can be better performed by society, and governments are therefore urged to facilitate, not to micro-manage, the operation of a market economy.

Assessing China's Political Transition: Mixed Results

China's political reforms are essentially attempts for political rationalization aimed at facilitating rapid economic development, not democratisation (as the term is understood in the West), at improving the efficiency of the existing political system, not abandoning it. In contrast to the radical model of democratisation, which involves an uncompromising break with the past, Chinese reformers have carried out those "lesser political reforms" by working through existing political institutions within the one-party framework. Such reforms have produced mixed results. On the one hand, China has ensured sustained political stability for its economic development, without confronting the risk of paralysing catastrophe as Russia had experienced, and on the other, the Chinese approach is also slow-moving and often confusing, with mixed social and political consequences.

Chinese reformers' priority to economic reform has sharply narrowed the scope of China's political reform and slowed the progress towards full enjoyment of people's political and civil rights. Yet emphasis on removing immediate political obstacles to economic progress has been indeed responsive to the pressing needs of the majority of the population for alleviating poverty after decades of neglect under Mao. Stressing economic reform over political liberalisation has caused grave setbacks in China's democracy movements, yet it has provided ordinary people with unprecedented economic and other freedoms, thus contributing to an emerging Chinese-style civil society.

China's lesser reforms have alienated many reform-minded intellectuals and reduced China's opportunities for greater political change. Nevertheless, it may also have helped China avert the possible economic and social upheavals which could have resulted from rushing too fast into a radically different economic and political system. Efforts to improve the efficiency of one-party rule is contrary to the philosophy of competitive democratic politics, yet each one of the reformers' calls for political reform has offered opportunities for Chinese liberals to transcend the official discourse and promote the spread of liberal ideas and values.

During the process of reform, reformers have demonstrated their ability to ensure long-term policy coherence and macro-economic stability, through a combination of market and administrative methods. A significant portion of the party/state structure has developed its competence, expertise in shaping and implementing market reform policies. For instance, a dense web of local compliance mechanism has been established to facilitate the execution of reform policies, ranging from attracting foreign investment to setting up development zones.

Policy enforcement for common goals has been relatively effective from a technocratic perspective, as shown in the high absorptive capacity for FDIs, and in the state's capacity to fight the century's worst floods in 1998 and SARS in 2003.

Notwithstanding China's distrust of Western-style democratisation, the Chinese experience since 1978 have considerably increased elements which can be considered compatible with democratisation: rehabilitating former political enemies, greater social mobility, more diversified values, more elastic ideological standards, initial steps at curbing the administrative power of the party/state over the economy, more laws and legal institutions, energising people's congresses, and relaxing cultural restrictions.

However, these limited political and administrative reforms are far from sufficient to tackle China's growing social, economic and political problems, from mounting corruption to "investment hunger" under the soft budget to the "bubble economy" in parts of China. Half of state-owned enterprises are in the red. Legal institutions are weak. Local protectionism remains strong. Paternalistic style of leadership is still common, which breeds "crony capitalism". Furthermore, China is far short of an effective institutional framework to mediate social tensions. Harry Harding, a leading China expert, has suggested that while "dismantling many of the totalitarian institutions of the past, "the Chinese party/state is not yet "prepared to move equally rapidly toward the creation of new institutions that could permit the articulation or aggregation of political demands." Thus, the party/state may still face



the prospects of political instability in the future, especially if economic growth falters, and China still has a long way to go in the field of political reform.

Current Trends and Prospects

China is right now going through its own Industrial and Technological Revolution, and continued political shifts and social dislocations are inevitable. Increasing gaps between regions, rising unemployment, mounting corruption, massive internal migration, growing gaps between rich and poor are all issues calling for a more sophisticated and accountable government and hence more meaningful political reform.

A new consensus seems to be emerging among Chinese leaders and think tanks: there should be a more substantial political reform so as to limit the power of bureaucrats and make the state more accountable. A number of new measures have been adopted by the new leadership led by General Secretary Hu Jintao and Premier Wen Jiabao: emphasis on promoting the rule of law and staying close to the masses; the Politburo reporting annually to the full Central Committee; more attention and assistance to the poorer regions and vulnerable social groups; effort to revise the Constitution by including clauses for protecting human rights and private property; greater room for the media to reflect public opinion; the idea of “political civilisation” emphasising procedures and reasoning; a system of relatively independent commissioners to supervise provincial cadres, and more accountability of various levels of government to people’s congresses.

However, the key issue with China’s political transition remains unclear, i.e. how to redefine the role of the party in China’s political, economic and social life? More specifically, how to establish the rule of law when the party and its leaders remain the most powerful? How to redefine the relations among the party, government, the economy and the society? And how to establish sustainable institutions to check corruption and mediate social tensions within the existing political system? There are still no clear and easy answers to these vitally important questions.

These questions aside, political reforms, however limited, are supported by diverse social groups from left-leaning social critics to party reformers and liberal-leaning intellectuals. For the left, it is essential to ensure greater equality and a more humane society as China’s market-driven economy has expanded the gap between rich and poor. For the liberals, emphasis is always placed on freer press, protection of civil rights and extension of elections from village to the township and above; For party reformers, the chance of achieving a broad consensus on a controlled political reform is better than ever, in the face of China’s

mounting socio-economic problems and the need to ensure the party’s legitimacy.

In the meantime, a consensus is also emerging among party reformers on what can be realistically achieved in China’s political reform in the short and medium term. Corruption is now recognised as a severe economic, social as well as political malady, yet reference is also made to the experiences of China’s two largest neighbours: Russia and India: Russia has in fact become more corrupt after its radical democratisation, and the democratic India does not offer an attractive model either. I hold the view that China’s political transition is likely to continue its present cautious approach and its top-down and gradual process. The party’s “zone of indifference” will further expand in the years to come, while tolerance for radical dissent remain limited. I submit further that China’s successful economic reform may well set a pattern for China’s political reform. The political consensus in China today is still on a syncretic approach, drawing on whatever is good from outside while gradually reforming China’s political system. Most reformers still believe that political reform should be a gradual, pragmatic and experimental process much like the experience of economic reform, and a strong state remains a crucial prerequisite for ensuring macroeconomic and political stability amidst the multiplying economic and social problems.

The Russian experience suggests that it is by no means easy to create a viable administrative system in place of the one-party regime in a large country with no tradition of democracy and adversary politics. Furthermore, as far as China is concerned, after more than a century of devastating wars and chaotic revolutions, and after two decades of moderate and successful economic reforms, the Chinese seem to be more willing to embrace gradual reform than radical revolution.

Developments favouring China’s democratisation include: vastly improved living standards, the information and communication revolution, increased levels of education, the expanding middle class and non-state sector, the rise of autonomous organisations, the country’s extensive ties with the outside world, and recognition by the party that it cannot and shall not micro-manage the Chinese society.

But full-fledged democratisation may still be a long way off for a number of reasons: Chinese general perception of Chinese-style reform as a success and the Russian model of radical change as a failure, the absence of credible models for a large country like China to move out of authoritarianism, inability of disaffected groups to organise themselves as a credible counter-force in China’s political scene, and the fear among the population that adversarial politics may cause an economic downturn and political chaos,

which had plagued China for too long in the past century.

The transformation of the Chinese state will continue, driven by China's economic reform, social challenges and integration with the outside world. As China's economy further develops and the country further opens itself to the outside, a more differentiated political system to accommodate new ideas and diverse interests will have to be found.

China is now a laboratory – the largest of its kind in human history – in economic development and political transition. In this sense, it is in Europe's interest to understand and assist China in its unparalleled endeavours for economic and political reforms. China can draw extensively on Europe's rich experience in political institutional building, democratic governance, conflict resolution, social welfare reforms as well as regional integration.

Furthermore, the result of China's experiment will not only affect the welfare of the Chinese people, but also that of other peoples and even Europeans, as the eventual shape of China's political transition will, I believe, impact the trajectory of the relations between the two great continents, or indeed two of the world's greatest civilisations: Chinese and European. The two should become friends, engaging each other with open mind, not enemies, confronting each other as envisaged by the pundits of the "clash of civilisations". In this sense, let us congratulate the just concluded EU-China Beijing summit, as it marks, I believe, a new milestone in promoting greater mutual understanding and co-operation between the two unique and splendid civilisations. ■

Professor Wei Wei Zhang is Senior Research Fellow at the Modern Asia Research Centre, Geneva, and a Guest Professor at Fudan University, Shanghai. This is the full text of a presentation he gave at a conference co-organised by EIAS on the "Implications of the 6th EU-China Summit", held on 6th November.

Sri Lanka's Political Crisis

by Yolande Foster

Sri Lanka was thrown into political crisis on November 4th when the Sri Lankan President, Chandrika Kumaratunga sacked the Ministers of Defence, Interior and Mass Communication. The President asserted her moves were "in the larger interest of the nation" but her actions were interpreted as a challenge to the Prime Minister's governance. Mrs. Kumaratunga made her move against the government while Prime Minister Ranil Wickremesinghe was in Washington. To many observers the crisis was further evidence of confrontation within the Sinhala elite, a confrontation that put the peace process on hold.

The victory of the United National Front (UNF) in the general elections in 2001 ushered in a new era of reconciliation. For Prime Minister Ranil Wickremesinghe, a peace settlement with the Liberation Tigers of Tamil Eelam (LTTE) was a prerequisite for his plans to revive the domestic economy and cut military spending. Yet President Kumaratunga, who narrowly survived a Tamil Tiger assassination attempt in 1999, has repeatedly criticised the government for its concessions to the LTTE.

The current conflict between the President and the Prime Minister came to a head in the wake of new proposals for an interim political settlement to the ethnic conflict unveiled by the LTTE. The LTTE proposals (the ISGA framework) included wide-ranging reforms of state structures. Any hint of Tamil separatism immediately raises the hackles of the Sinhala elite, however. It has maintained for some time that all Sri Lankans should be part of a single national collective. Any proposals that challenge this idea will inevitably raise questions. Mrs. Kumaratunga's Sri Lanka Freedom Party (SLFP), the main component of the opposition People's Alliance (PA) coalition, had campaigned against plans for an interim administration, portraying the very idea as a "betrayal" that would split the country.

President Kumaratunga's response to the LTTE's ISGA proposals was to take control of crucial ministries by making full use of the extensive presidential powers contained in Sri Lanka's 1978 constitution. Under the country's constitution, Mrs. Kumaratunga, whose opposition People's Alliance (PA) was defeated in the 2001 elections, has wide executive powers to appoint ministers and top officials and to dismiss the government.

Since the December 2001 elections there has been an increasingly uneasy stand-off between the President and the Prime Minister. The failure of the two major Sinhala parties to collaborate effectively in resolving



the political crisis has been a stumbling bloc to the peace process. The government and the LTTE signed a ceasefire agreement in February 2002, and formal peace negotiations started in September 2002. They broke down in April 2003 however, and for months the government and the President have been engaged in a feud over who decides top appointments in the security apparatus.

The President extended the services of Navy Vice Admiral Daya Sandagiri and Army Commander Lionel Balagalla – regarded as her supporters – beyond their due retirement dates. In addition, Mrs. Kumaratunga threatened to undermine the ceasefire arrangements in October, when she wrote to the Norwegian government requesting the recall of the head of the Sri Lanka Monitoring Mission (SLMM), Major General, Trygve Tellefsen. Norway has acted as a mediator for the peace talks and the SLMM monitors the ceasefire. The pretext for the letter was provided by the navy, which claimed that the SLMM had leaked information to the LTTE, allowing one of its vessels to evade capture.

International condemnation of the President's constitutional coup suggests pressure to get the peace process back on track. The Norwegian mediators have left, however, indicating that the main Sinhala parties have to reach a consensus before they can restart negotiations. Perhaps international actors have underestimated the need for a mechanism to resolve differences between the two major Sinhala parties.

You can find the manuals on Sri Lanka's grief in the "politics" section of any major bookstore. The titles – "War and Conflict", "Ethnic Enmity", "Scarred Minds" – bear witness to a fractious history. The dominant narrative of conflict in Sri Lanka is one in which ethnic conflict is the culprit. The latest political crisis shows that bipartisan Sinhala rivalry over control of the levers of the State are also a hurdle to conflict resolution. The challenges that remain for the Sinhala political elite are reaching a negotiated settlement with the LTTE and legislating constitutional reform.

When the Sri Lankan political crisis hit the headlines on November 4th many newspaper articles discussed the irreversible damage to the peace process, and the climate of uncertainty that now exists for both foreign and local investors. The peace process clearly has stalled, and big business feels jittery, of course, in an era of political tension. Yet commentators such as Jayadeva Uyangoda have noted that the crisis could also stimulate political discussion about the need for joint agreements within the Sinhala elite.

There is now talk of a joint committee of officials, appointed by both the President and the Prime Minister, to work out an agreement. This opening up of dialogue is a positive step, and may be a way for the President to resume discussions on the peace process.

In the wake of November 4th tensions, the Prime Minister received a significant show of support from the polity. In view of this the President may have downplayed her reassertion of Presidential authority, not wanting to rush into snap elections.

Another window of opportunity was seized after the recent take over of the Ministry of Mass Communications by the President. Dialogue was restarted on the establishment of an Independent Governing Council for all state media on the BBC model. Under her proposals for good governance, the President has noted that a Free and Fair Media policy be adopted. Whatever the results of the uneasy consultative process between President and Prime Minister, questions regarding the management of state structures have resurfaced, and will have to be taken into consideration by both the main Sinhala parties as they try to win back the confidence of the polity.

The LTTE has remained fairly quiet on the setback to the peace process, preferring perhaps to let the political vulnerability of the Sinhala elite speak for itself. Recently, however, Mr Anton Balasingham asserted the importance of the role of the LTTE in bringing peace and stability to Sri Lanka. Conscious of mounting international interest, Mr. Balsingham talked of a "new creative relationship" with India, and the continued interest of the LTTE in pushing forward a peace agenda. The political crisis in Sri Lanka has caused various actors in the peace process to reflect on their stand and reconsider how they wish to position themselves. Time will tell whether this renews or weakens the peace constituency. ■

Yolande Foster is Research Associate at Canterbury Christ Church University College. Her publications include "Development in a time of Conflict", in *Building Local Capacities for Peace: Rethinking Development and Conflict in Sri Lanka*. Mayer, M. Rajasingham-Senanyake (eds). New Delhi, Macmillan, 2003, and "The Visual Culture of the No Order Artists in Sri Lanka" in *Hybridity in Post-colonial States*. De Silva, N. (ed) Zed Press, May 2002.

China-ASEAN: a deepening relationship

by Duncan Freeman

For much of the history of ASEAN, the relations of its members with China have been marked by difficulties. It is not so long ago that China was seen as a real threat to several of the most important of the ASEAN member countries. Not only did China support communist revolutions in Indochina, that it was



believed would ultimately undermine other countries in South-East Asia, but several of the original members of ASEAN faced communist insurgencies that, to a greater or lesser extent, were supported by China and the last of which only finally died out in the 1980s as both sides moved to improve their relations. Although this threat of subversion was removed, other sources of tension came to the fore more recently as the territorial dispute in the South China Sea involving several ASEAN members and China came to prominence as China appeared ready to assert its territorial and economic interests at the cost of smaller and weaker southern neighbours.

Some of the heat has been taken out of this issue by accommodations on both sides, but this did not necessarily remove the perception of China as a threat, even if the perception of its nature changed. In more recent times a view of China as an economic threat to South-East Asia gained currency, most notably as a result of its apparent ability to attract huge quantities of foreign investment that many believed would otherwise would have gone to ASEAN countries, undermining their growth following the financial crisis of 1997.

to the same principles in its relations with ASEAN as they do among themselves – for instance, respect for the sovereignty of member nations and their territorial integrity, non-interference in each other's affairs and peaceful settlement of disputes. They also signed a Joint Declaration on Strategic Partnership for Peace and Prosperity, which commits the two sides to long term closer co-operation to achieve development, while also reaffirming other joint initiatives including, for example, combating non-traditional security threats such as terrorism.

It could be said that there is a degree of overplaying the achievements of this summit and the agreements it produced. Arguably, the agreements are strong on rhetoric, but lack substance. On the critical issue of the South China Sea, the two sides had already committed themselves to peaceful resolution of the dispute and to abiding by TAC principles, so that the TAC signing brought little real change. On the complex issue of implementing the proposed ASEAN-China Free Trade Area, the summit brought little advance, despite some early benefit agreements that will remove tariffs on certain agricultural products between China and

China's Trade with ASEAN Nations

(Source: PRC Customs Statistics) 2002

Country	Exports	Imports	Change over same period previous year(%)	
			Exports	Imports
Brunei	21.06	241.81	22.7	63.1
Burma	724.82	136.89	45.7	2
Cambodia	251.56	24.55	22.3	-29.5
Indonesia	3426.91	4501.41	20.8	15.8
Laos	54.30	9.65	-2	29.4
Malaysia	4974.54	9295.99	54.5	49.8
Philippines	2042.32	3217.19	26	65.4
Singapore	6965.67	7052.42	20.3	37.1
Thailand	2958.41	5602.26	26.8	18.9
Vietnam	2148.86	1115.28	19.1	10.3

Despite this difficult history, current trends suggest that South-East Asia's suspicion and even fear of China, has been replaced by a more positive attitude. The October ASEAN+3 summit, (ASEAN plus China, Japan and Korea, which India also attended) brought a flurry of activity that appeared to bring China closer than ever before to ASEAN, advancing an improvement in relations between ASEAN and China that has actually been taking place over a number of years.

Most notable at the October summit was the signing by China of the ASEAN Treaty of Amity and Co-operation (TAC). The Treaty requires China to adhere

2003 January-July

Country	Exports	Imports	Change over same period previous year(%)	
			Exports	Imports
Brunei	13.25	208.53	15	52.7
Burma	546.00	105.18	60.7	19.8
Cambodia	176.74	14.19	22	-16
Indonesia	2345.95	3012.01	23.9	22.5
Laos	62.79	5.16	109.7	-3.5
Malaysia	3276.69	7161.99	22.7	50.5
Philippines	1590.25	2979.51	45.7	95.3
Singapore	4716.75	5561.29	25.5	58.9
Thailand	2046.16	4690.87	27	63
Vietnam	1754.82	773.62	84.2	27

Thailand. There remain many complex and tough issues that will have to be negotiated before the FTA becomes reality. Other ambitious regional projects that China and ASEAN had already committed themselves to, such as the development of the Mekong Delta, will require considerable commitments of resources if they are to be successful.

Nevertheless, the general expressions of goodwill should not be dismissed. Even if much of the substance of the relationship remains to be filled in, a considerable change has already taken place. In fact, the warming of relations between China and ASEAN has taken place over a number of years, the first



significant steps in building relations between ASEAN as an organisation and China came in the early 1990s and have gathered pace since then.

From the ASEAN side, it appears that important players have now decided to put aside their reservations about any threats from the north and to accept a much closer relationship with China. China has also given great weight to its diplomatic commitment to improving relations with ASEAN countries. Both sides appear to have decided that the potential gains from co-operation are preferable to the zero sum game of confrontation or competition over territory or investment.

For ASEAN, the benefits of co-operation with its huge and increasingly influential neighbour might seem self evident. For China, which on the surface might appear to have less to gain from the relationship since it has already grown into the dominant regional power, the most important gain will be having a stable and co-operative relationship with close neighbours who are also increasingly important economic partners. Stability in general, and on its periphery in particular, is seen by China as being a vital precondition for its own economic development. This means not just political stability, but also increasingly the ability to deal with problems like cross border crime such as drug smuggling that undermine social stability and economic development.

In the South China Sea, the problem has been sidelined rather than solved. China's assertion of sovereignty could be backed by superior force, and there would little the ASEAN claimants could do to counter it, barring intervention by the US.

However, the current *status quo* embodied in the existing declaration on conduct in the South China Sea prevents any escalation, and halts further assertions of *faits accomplis* by the Chinese by occupation of reefs in the South China Sea. The existing agreements allow for the potential resolution of the dispute which may offer the ASEAN parties some gains from negotiations in the future. From the Chinese side, the agreements allow it to hold what it has, and to avoid any escalation of the dispute to actual armed conflict which would destabilise the region and possibly bring unwelcome intervention from outside powers, notably the US.

It is in the area of trade and investment that the greatest gains in the deepening relationship are likely to be found. The ambitious and well-known plans such as those for an ASEAN-China Free Trade Area, as well as development plans for the Mekong Delta will take many years to realise. As in every trade negotiation, difficult bargaining involving entrenched interests remains ahead before the FTA will be realised by the target date of 2020. Nevertheless, if anything, recent developments on the ground show that even now the

foundations of a regional economy binding ASEAN to China are already being laid. Over the last two years, trade between the two has boomed. Interestingly enough, contrary to many expectations, this has probably benefited ASEAN even more than China, since growth in ASEAN exports to China has generally outstripped trade in the opposite direction.

The trade statistics for the past two years are remarkable. Each of the major ASEAN nations has seen significant gains in its trade with China, and ASEAN as a whole has been among the fastest growing trade partners of China. For instance, Chinese customs figures show that in 2002, Malaysia's imports from China grew by 54.5% and its exports to China by 49.8%, the Philippines' imports by 26% and its exports by 65.4%, Singapore's imports by 20.3% and exports by 37.1% and Thailand's imports by 26.8% and exports by 18.9%. Even Indonesia, whose economy is still widely considered to be suffering the continuing effects of the Asian financial crisis, saw growth of 20.8% in imports and 15.8% in exports.

This year, the trade performance with China of the main ASEAN nations has been even stronger, and more skewed to the benefit of the ASEAN nations. In the first nine months of this year Malaysia's exports to China rose by 50.5%, compared to a rise of 22.7% in imports from China, the Philippine's exports rose by 95.3%, compared with 54.7% for imports, Singapore's exports by 58.9% (imports 25.5%) and Thailand's exports by 63% (imports 27%). Even though this growth is taking place in a period when China's trade is booming they are nevertheless impressive.

Overall ASEAN imports from China grew by 31% in the first seven months of the year, slightly less than the 32.3% overall growth in imports. ASEAN exports to China grew by 54.5%, compared with 40.5% overall import growth. As in the previous year, the strongest sector for all these countries has generally been electronics such as computers and telecommunications equipment and their parts, although raw materials such as paper pulp, steel, rubber, chemicals and oil have also performed well for various countries.

In fact, China's trade with ASEAN is much larger than these figures reveal, since much of it is conducted through Hong Kong, which is excluded from the mainland statistics. Hong Kong figures show a strong, though smaller, increase in trade with ASEAN in the past two years, reflecting a weakening of Hong Kong's role as a trade *entrepot* for China. The growth in trade with China is real growth, rather than just diversion of trade traditionally carried out through Hong Kong.

Whether China really ever could be seen as a black hole attracting investment away from ASEAN after the 1997 Asian financial crisis is an open question. Figures from the United Nations Conference on Trade and



Development (UNCTAD) show that from 1997 ASEAN suffered a sharp fall in FDI before a moderate recovery in 2001. In the same period from 1997, China's FDI also fell, only recovering significantly in 2001. This would suggest that China and ASEAN suffered in the fall out from the crisis, though ASEAN was affected much more severely, and that China has made a better recovery.

On basis of the Chinese statistics, all the main ASEAN nations are running trade surpluses with China. Given their recent performance it is perhaps little wonder that ASEAN governments have been very reticent about supporting the calls from the US for revaluation of the RMB. They quite correctly see such a move as potentially destabilising the emerging trade nexus with China.

Of course, several of these countries also effectively manage their exchange rates against the dollar, so it would make little sense for them to attack China for doing the same thing. Countries in Asia, perhaps unlike the US, remember that China refrained from devaluing its currency during the Asian financial crisis, a move that won China some considerable kudos in the region, and demonstrated that it was not necessarily a predatory economic behemoth acting only in its own short term interest. The refusal to devalue showed China willing to play a patient and long game in South-East Asia which has brought it economic and political dividends.

Where does this leave ASEAN relations with other major interlocutors? In East Asia, by proposing an FTA with ASEAN, China is regarded as having taken a bold step that has stolen a march on Japan, another major economic partner of ASEAN. Japan remains an important partner for ASEAN, but its influence is now being challenged by China. More distant actors have also had their influence overshadowed. ASEAN has often accused the EU of failing to take it seriously as a potential partner. The EU has seen ASEAN, perhaps rightly when viewed from Brussels, as a pale imitation of itself, a weaker and less coherent regional grouping worthy of little sustained attention. China at least has paid lip service to taking ASEAN seriously, and taken action to add substance to the relationship, although it has the added advantage of close proximity that has helped build economic ties. Nevertheless, there are those in ASEAN who believe that the EU has an important role to play, and that it can bring a balance to the region and avoid dominance by any single power.

The US on the other hand has long had a strong role in the region, and once would have been regarded as a bulwark of regional security and its strongest economic partner. Whether it retains the same level of influence on the region as it once had is debatable. The Bush administration, fighting its war on terror, has focused on that question in its relations with the region.

Although it has some willing allies in Asia, President Bush had to browbeat the recent APEC summit into accepting his priorities for the fight against terror above all else. Even though ASEAN countries accept the importance of dealing with terrorism, there are many who argue that other issues such as economic development are more important, and have greater impact on security. China, on the other hand, has been able to steadily advance its own interests while gaining increasing trust and confidence. Given the situation of two decades ago, this is a great achievement that benefits not only China, but also its neighbours in ASEAN. ■

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Japan's Military and the War on Terrorism - Next Stop Iraq?

by Dr Axel Berkofsky

With stories of two Japanese diplomats killed in Iraq in November still making headlines in the Japanese press, only a few Japanese defence hawks were surprised when Prime Minister Junichiro Koizumi announced yet another delay in a cabinet decision to endorse his basic plan to dispatch troops to Iraq.

With the public still mourning the deaths of the 45-year old Katsuhiko Oku and the 30-year old Masamori Inoue, not even the Prime Minister seemed courageous enough to go ahead with plans for sending his troops towards the danger zone. Recent opinion polls from Japanese newspapers revealed that no more than 10% of the public is in favour of sending Japanese military to Iraq under the "present conditions."

The plan should have been endorsed on November 28. The plan itself is authorised by the "Special Measures Law on Reconstruction Assistance for Iraq," which provides the legal basis for a troop deployment to Iraq "some time next year." However, only a day after the Prime Minister announced that "terrorists will not bomb Japan and the coalition forces out of Iraq," Kyodo News quoted Mr. Koizumi as saying that the plan will be endorsed "next week at the earliest."

The killings of the two Japanese diplomats in northern Iraq came two weeks after two London-based newspapers received warnings that Japanese military in Iraq would be targets of attacks if Tokyo deployed troops to Iraq. For the Japanese government, *Al-Qa'ida* was the author of these threats. It was all the more incomprehensible, therefore, that the two diplomats



travelled without military escort and stopped for a drink on the roadside, despite Embassy orders to request armed guards when travelling in Iraq. It was equally careless, commentators claim, to have allowed the two diplomats to choose a Toyota over a more bullet-resistant Mercedes-Benz.

Mr. Oku, as the Japanese media reported later, was “well aware” that he could be a potential target in his capacity as liaison officer between his government and the U.S./British-led Coalition Provisional Authority. As it turned out, he even told a reporter from the *Asahi Shimbun* about a threat made against him, although he stopped short from explaining when exactly the threat was made and by whom. Japanese plans to send civilians to Baghdad, to provide logistical and medical services, also seem to be in abeyance for the time being, although the government announced only very recently that Japanese contractors are ready to restore electric power and repair schools and hospitals by the end of this year. “We are compiling a list of companies to co-operate with the dispatch, but no one probably will be willing to go Iraq”, a government official said only hours after the killing of the diplomats.

If the reported outcome of an “emergency meeting” of top Foreign Ministry officials is anything to go by, Japanese funding for Iraq will be limited to the “grass root level”, focusing on the construction of schools and hospitals. Major infrastructure construction projects, carried out by Japanese general contractors, are off the agenda, at the least for the time being, according to the *Mainichi Shimbun*. For now, Japan limits itself to providing cash for the construction of schools in northern Iraq. Some ¥45 million will initially be spent on this task. To make sure the money is reaching the recipients, Embassy staff are required to monitor the distribution of funds travelling to and in northern Iraq.

In another move, to play it safe(r) in Iraq and elsewhere, the Foreign Affairs Ministry is planning legislation allowing the armed forces to guard Japanese diplomatic missions. Getting rid of the restrictions contained in the Self-Defence Forces Law, which prevent the stationing of armed soldiers in front on embassies, should be next on Japan’s security policy agenda, and has been requested by Senior Vice Foreign Minister Ichiro Aisawa. “We need to establish a new legal framework to secure the safety of Japan’s diplomatic missions,” he noted, adding that the Foreign Affairs Ministry is already drafting a bill. While Foreign Minister Yoriko Kawaguchi promised to “think about it”, Japan’s Defence Agency chief Ishiba claimed the protection of Japanese embassies was a “matter of national security”.

Meanwhile, a Japanese fact-finding mission, comprising ten military officers, charged with the task of assessing whether southern Iraq is safe enough for Japan’s pacifist soldiers, returned to Tokyo at the end

of November. While the government has studied the information gathered by British forces in southern Iraq “very carefully”, Defence Agency chief Ishiba presented his own conclusions only hours after his officers touched down in Tokyo. “Southern Iraq is relatively stable”, he announced, basing his “analysis” on a “preliminary report” from the survey mission.

The officers caught up with Mr. Ishiba over the next 2 days and confirmed that deploying ground troops in Samawah was “feasible.” The earlier deployment of Air Self-Defence Force, for goods transport, is “one of several options”. Another option is to stay home altogether, as far as Japan’s opposition is concerned. The opposition accused the government of failing to ensure the safety of diplomats in Iraq. “We question the responsibility of the government for its lack of safety measures and call for the matter to be deliberated in public,” Katsuya Okada, Secretary-General of the Democratic Party of Japan (Minshuto) demanded.

Mr. Koizumi decided to ignore the demand, and on December 3rd opted for yet another political u-turn, announcing the dispatch of troops to Iraq by the end of this year. If the Cabinet approves the plan, an advance unit of Air Self-Defence Forces (30 troops) will be sent to Iraq in December. The advance unit will be followed by transport units, and a total of up to 1,100 troops could be dispatched to Iraq between the end of January and early February 2004. The Prime Minister reportedly based his decision on the final recommendations of the military fact-finding mission, which concluded that it is now possible to ensure “a certain level of security” in and around Samawah.

Japan’s Foreign Minister Kawaguchi also believes that “it is time to send people to the frontline in Iraq,” claiming that a stable and reconstructed Iraq is in Japanese interests. “Ninety percent of Japan’s oil comes from the Middle East, and we cannot afford to let terrorists throw their weight about in Iraq and the Middle East”, she said. This is music to the ears of the Bush administration in Washington. The US Ambassador to Japan, Howard Baker, confirmed to the Foreign Correspondents’ Club of Japan in Tokyo that “dispatching troops would have an enormous symbolic and practical effect.”

“Although the timing of deploying troops is still up to Japan,” he pointed out, “sending troops to Iraq is a good beginning to extend the coalition against terrorism to full participation by the world’s second-biggest economy.” In a “normal” country, Prime Minister Koizumi would now have the task of explaining to the opposition and the public that dispatching troops could mean more body-bags, and an end to what is left of Japan’s pacifism. Luckily for him, very little on Japan’s security policy agenda can be described as “normal.” ■

Role of panchayats in local government in Madhya Pradesh

On 25th November 2003, Dr Girish Kumar addressed the European Institute for Asian Studies making a presentation on “Democracy and decentralisation in India: Local government in Madhya Pradesh”. Dr Kumar is a Fellow in Political Science with the *Centre de Sciences Humaines* in New Delhi and a Visiting Research Fellow with the *Université de Picardie* in Amiens.

Dr Kumar said there were many influences on the political development of India since independence including the size of the country, its ethnic and cultural diversity, the caste system and the role of the States. Since independence, the question of decentralisation had surfaced repeatedly. In Madhya Pradesh, the political system was going through the third generation of the panchayat local government. The first generation began in the 1950's after independence, with an emphasis on community development programmes. However, this had generated only a lukewarm response with insufficient local participation. The death of Jawaharlal Nehru, who was a great proponent of decentralisation, in 1964, led to a gentle decline in the panchayat system. Evidence demonstrated a lack of representative institutions at district level, in contrast to the block (100,000 people) or village level.

The emergence of Indira Gandhi, led to a new style of politics, with little emphasis on the organisation in favour of the leader. After Congress was ousted from power in 1977, the incoming coalition established a Committee to revitalise the panchayat system. The Committee recommended the introduction of real local government, at political level. The second generation began in Bengal and was quickly followed by three further States. In all of these States, parties other than Congress came to power.

In 1986, Rajiv Gandhi secured a major amendment to the Constitution ensuring that elections to the panchayat must take place every five years. This would have the benefit of transparency and help the development process at local level. Then, after 1993, with the panchayat system in place in 28 States, political issues began to dominate the agenda.

Obstacles to the development of the panchayat system included the very formidable caste organisations and, for various parts of India, a lack of suitable political leaders. However, once the system was entrenched, local institutions would help secure electoral victories at a higher level. Madhya Pradesh, according to Dr Kumar, has neither an organised caste group nor a well-developed electoral system. The State was also backward economically and suffered from political

interference from neighbouring States taking advantage of weak political leadership and, indeed, from central government which has used Madhya Pradesh as a political dumping ground. For example, in 1956, Nehru forced his Defence Minister, who had opposed buying Russian military equipment, to take a post in Madhya Pradesh.

As a spur to the creation of local projects, the Madhya Pradesh Chief Minister, Shri Digvijay Singh, in 1993, proposed new panchayat structures. He created six committees per panchayat. Madhya Pradesh has some 22,000 panchayat's, 51,000 villages, 313 blocks and 45 districts. In order to boost his own popularity, the Chief Minister used the committee structure in the panchayat to launch new development projects regularly. However, the continued dominance of the upper castes in Madhya Pradesh meant that Shri Digvijay Singh could not force the pace too quickly. Whatever its success rate, the scheme improved participation and favoured action over waiting for central government to decentralise its programmes.

In the question and answer session that followed, Dr Kumar noted that his research showed that, decentralised government represented by the panchayat system, only succeeded where one party dominated political life over a long period. Thus, in States where Congress lost since 1967, the panchayat system foundered. In the December 2004 elections in Madhya Pradesh, it is doubtful whether Shri Digvijay Singh will survive, as many feel that if he wins a third term, his political ambitions to be Prime Minister might prove hard to control. Between 1993 and 1998, Singh filled 70 political posts at State level with candidates who had backgrounds in the panchayat system. Although favouring his party officials, at least the candidates put forward will have had some political experience. By working at local level, citizens can see that there is scope for progress, that there is mobility and that the system does offer some legitimacy. The process also works in reverse with workers leaving cities and coming back to villages to retire. Some of these are educated and many are keen to reinvigorate the democratic nature of the panchayat.

However, the recruitment process to political parties can be opaque and there is no automatic reward for hard work at panchayat level being translated into promotion to State level. The central government controls, to a large extent, the flow of funds. While some 60% may be disbursed through the district level, only 40% might go through the panchayat system. The dependence on outside funding reduces their autonomy. In contrast, Members of Parliament have substantial Local Area Development Funds to develop their constituency. ■

This summary of Dr Kumar's presentation was prepared by *EurAsia Bulletin*.

Future of ALA Regulation unclear, following vote

by John Quigley

The European Parliament has voted decisively to overrule the ALA proposal of the European Commission. It has demanded, instead, two separate Regulations, one for promoting development co-operation with Asia, the other with Latin America. This goes against the clearly expressed wishes not only of the European Commission but also those active in raising the profile of Asia at European level. In legislative terms, the draft Regulation is now with the Council of Ministers, who have three months to decide their response.

The vote in the European Parliament represents a resounding victory for those MEPs that are supportive of the Latin American lobby. In addition to calling for two Regulations, Parliament also voted to transfer EUR247m out of budget lines for Asia and to make this sum available for development projects in Latin America. EU funding has long been divided between the regions on the basis of 60% for Asia and 40% for Latin America, given the greater poverty level in Asia.

However, the Commission proposed EUR2,523m for Asia and EUR1,270m for Latin America, for the period 2003-2006. This gave Asia 66% of the total, reflecting the continent's greater needs, particularly in Afghanistan. By transferring EUR247m out of the Asia budget, Parliament has effectively reduced the funds for Asia by 10%, despite the Commission's claims that the EU spends only EUR 0.15 in Asia on a per capita basis, as compared to EUR 0.45 in Latin America.

MEPs also proposed creating a Bi-regional Solidarity Fund solely for Latin America, with an annual budget of EUR 20m. The Fund would finance health, education, anti-poverty and social inequality projects in those Latin American countries with the lowest *per capita* incomes. Nothing similar is proposed for Asia.

Parliament's vote (first reading) on the draft ALA Regulation is not the final say on the matter. Up to three readings are possible, with a major role for the Council of Ministers. Speaking to the *EurAsia Bulletin*, a Council spokesman indicated that there was no support for Parliament's position in the Council of Ministers. The Council, he said, still supports the original European Commission proposal, but would probably reach a compromise based on a single Regulation but with separate chapters for each region. Such a compromise would be acceptable to the Commission.

The author of Parliament's report on the draft Regulation, the Dutch Liberal, Mrs Marieke Sanders-Ten Holte, had originally proposed three possible solutions to the Commission's demand for a single Regulation. However, following a decisive vote in the Committee on Development and Co-operation, Mrs Sanders-Ten Holte promoted the idea of two separate Regulations. She noted that clearly a "distinction must be drawn" between Asia and Latin America. However, by proposing a single Regulation the Commission had ignored Parliament's "express request" for two separate Regulations. This request was set out in a non-binding report by a Spanish MEP in November 2001.

Parliament versus Commission

The essential difference between the Commission's proposal and the vote in Parliament rests on competing ideas of what the nature of the ALA Regulation should be. The Commission's draft proposed a framework with basic principles for development co-operation. Parliament voted to overturn this and insert specific and detailed objectives, including benchmarks for certain sectors, in order to have a continuing role in implementing the Regulation.

Parliament's detailed Regulation creates a series of benchmarks, with specific targets for sectors for development co-operation, including 35% for social infrastructure. Some 20% of this will be allocated to basic health and education. Another 10% will be targeted towards the sustainable management of natural resources and combating environmental degradation. Within these areas, Parliament voted to adopt amendments laying out in detail what initiatives should be adopted. Thus, for the health sector, Parliament has proposed plans to help "lower income population groups", "reduce child mortality", address "sexual and reproductive health" and tackle "HIV/AIDS, tuberculosis and malaria".

Parliament has also decided that the Regulation should fund objectives relating to "vulnerable and excluded groups." It then goes on to list seven categories that must be included. They are people with disabilities, caste discrimination, religious discrimination, indigenous peoples, women, children and older people. The category of children is extended to refer to combating child labour, supporting full time education and supporting the implementation of the UN Convention on the Rights of the Child.

The Commission has indicated that this level of detail will hinder its work by restricting its freedom to fund new projects. The Commissioner for External Affairs, Chris Patten, believes that so high a degree of detail removes the flexibility needed to respond to the changing development needs of individual countries over time. It is also contrary to the principle of leaving the details to either the Country Strategy Paper (CSP)



or the National Indicative Programme (NIP), which the Commission has spent several years trying to develop. These generally have a timeframe of 5 to 7 years. At the time of the launch of the original proposal in July 2002, Commissioner Patten indicated that the draft Regulation alone provided the legal and technical framework for EU co-operation with the two regions.

Reform of External Assistance

In an attempt to prevent the division of the Commission's proposal some members of the European Parliament, backed by Commission officials, argued that two Regulations could derail the Commission's plans for the reform of external assistance. Mrs Glenys Kinnock, a British Socialist, said the split would "undermine the efforts that the Parliament has made to streamline and clarify" development programmes. She was supported by Anders Wijkman, a Swedish Christian Democrat, who commented that "it would be strange if {Parliament} were to try and complicate efforts to make development co-operation more efficient" by adopting two Regulations. This would, he said, "obstruct the simplification of procedures" that Parliament had previously demanded.

In a last ditch effort before Parliament's vote in late October, Commissioner Patten said that a simple Regulation was preferable to a detailed one in order to "comply with the basic principles of the reform of external assistance". A single Regulation, he said, would "avoid the proliferation of legal instruments" and the duplication of "committees and procedures". Parliament chose to ignore this request by 342 votes to 152.

One of the arguments put forward by the Spanish lobby, which found strong support, was that unless Parliament split the Commission proposal in two, Parliamentary control and supervision over the financial aspects of the new ALA Regulation, would be limited. Mrs Sanders-Ten Holte indicated that the inclusion of "clear objectives and performance indicators" would help verify the "useful and effective spending of taxpayers money".

Aid to uprooted people

The Commission proposal for a new ALA Regulation, as adopted in July 2002, affects not just development co-operation with the two regions; it also seeks to incorporate another Regulation from 2001 on "aid to uprooted people in Asian and Latin American developing countries". With regard to Asia, this Regulation has financed operations in Afghanistan, Bhutan, Burma, Indonesia, the Philippines and Sri Lanka to the tune of EUR36.1m in 2002 and approximately EUR46m in 2003. Roughly half of the annual budget goes to finance projects in Afghanistan.

The aid is targeted to provide food aid, develop farming and build infrastructure, provide education and develop health services for refugees, displaced people and demobilised soldiers.

The legal base established in the 2001 Regulation is due to expire in December 2004 and the Commission was hoping to extend it through a revised ALA Regulation. The crisis over the ALA Regulation places the uprooted aid budget line in jeopardy, which has a projected expenditure of EUR46m in 2004. A Commission Spokesman suggested that to circumvent legislative delays with the ALA Regulation, the Commission may propose a temporary measure to ensure continued funding of uprooted aid operations.

This measure could last for up to two years and would have much the same budget as before. The viability of this new mechanism is unclear given the political crisis that now shrouds the ALA Regulation. However, Parliament would be unlikely to attempt to delay or sidetrack the temporary measure by tying it to a resolution of the ALA Regulation crisis.

Conclusion

The decision of the European Parliament represents a clear victory for the Latin America lobby and a slap in the face for those demanding priority for Asia, which is home to specific development problems and has more than 800m people living in poverty. It seems that Parliament is more interested in imposing its political demands on the Commission than focussing on those living on less than EUR 1 a day. According to the legislative cycle, the Council of Ministers has until February 2004 to deliver its verdict on Parliament's opinion. Within the Council, the Spanish government has been demanding more money for Latin America but has run into opposition from three Member States who have substantial bilateral development programmes of their own in Asia: Denmark, Sweden and the United Kingdom.

It is now expected that the Council will throw out the result of Parliament's vote. The political fallout from such a decision will be grave. With the coming enlargement of the EU on 1 May 2004, Parliamentary elections in June and a new Commission to be installed, there will be restricted legislative time to proceed with compromise talks between the Parliament and the Council. The Council's External Affairs Ministers will discuss the draft Regulation in April 2004 with a view to tabling their amended proposal by June. ■



Europe's evolving policy objectives in Central Asia

by Aysun Uyar

As one of Central Asia's oldest trade routes, the Silk Road is known as the path on which all cultures, economies, ideas, identities and systems have interacted from China across to Europe. Whether it wanted to prove its political capabilities in the immediate post-war arena or to gain access to the consumer market of China and the energy supplies of Central Asia, the European Union (EU) has been making its presence felt in the region. In turn, Central Asia has seen the EU as the world's most stable regional market. The EU started its links with Central Asia with the promise of the revival of Silk Road through an initiative called Technical Assistance to the Commonwealth of Independent States (TACIS). The TACIS Programme is the project-based technical assistance and funding mechanism of Europe towards Central Asia.

TACIS began in 1991 with measures to support the improvement of the market economy, pluralist democracy and human rights in Eastern Europe and Central Asia (namely Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan). While the EU's relations with Central Asia are based on Partnership and Co-operation Agreements (PCAs), the TACIS programme provides the technical base for projects. Over time, however, the technical assistance role has evolved to include a development co-operation function by expanding the range of projects under consideration.

The Programme is implemented according to objectives set out in Indicative and Action Programmes. Projects run at national, regional and small project levels. Although TACIS covers most of the relations between the EU and Central Asia, there have been operational and structural obstacles in the functioning of the Programme in recent years.

Initially, the legal base for TACIS was adopted in December 1999. Since then, there have been many political and economic developments in the region. In political terms, the changing domestic structures and demands of the societies, political uncertainty in Afghanistan and its impact in Central Asia (threat of ethnic strife and religious fundamentalism), rising tension on oil and natural gas projections of the Central Asian countries and increasing interests of the other donor organisations (see below) and countries necessitate a new EU approach towards the region. Hence, the 1999 Regulation needs to be updated.

Of course, there are considerable achievements of TACIS Programme. According to the 2002-2006 Central Asian Strategy Paper of the European Commission, potential improvements in transport services, general support from regional governments, institutional reforms and establishment of a sound base for the future activities of the TACIS programme have been achieved during the last decade. During the last ten years, the main priority areas and allocation of funds among these areas was as follows:

- ◆ 64 projects (of EUR132 million) for institutional, legal and administrative reforms,
- ◆ 52 projects (of EUR123 million) for private sector and economic development,
- ◆ 14 projects (EUR28 million) for dealing with the social outcomes of the transition,
- ◆ 12 projects (EUR20 million) development of infrastructure,
- ◆ 12 projects (EUR22 million) for environmental protection and management of the natural resources,
- ◆ 8 projects (EUR10 million) for support of rural economy and nuclear safety.

This reflects the primary focus areas of EuropeAid, the Brussels' based headquarters for the EU's development co-operation programmes.

The above figures demonstrate that the focus of the Commission has been directed at the administrative and legal transition of the countries at state level. Indeed, the TACIS Central Asia Action Programme of 2003 signified three main levels at which the projects should run: regional co-operation, regional programmes at national level and poverty reduction programmes at national-project level. This approach again indicates the over-emphasis on state/national level projects. Of course, there is an increasing awareness about the regional and especially non-governmental organisations (NGOs) level co-operation and 269 civil society projects were run in the region by more than 600 NGOs up until 2002.

However, the general perception of local governments in the region towards the civil society initiatives is still sceptical and State control of the fund allocations prevents TACIS from reaching all levels of society in Central Asia. It is clear that the contribution of civil society to the process and the balanced management of projects by both state and non-state organs should be further encouraged in TACIS.

Another factor which forces the EU to change its policy approach towards Central Asia is position of the other donors. The most important fund providers to the region are the World Bank, the Asian Development Bank (loans and technical assistance of about US\$1.5 billion recently), the European Bank for Reconstruction and Development (US\$1.88 billion as



loans), the United Nations organs, the Islamic Development Bank, the United States and Japan. For example, the USA pays special attention to the region for energy purposes and promised US\$423 million in funding for 2002. According to the recent 2004-2006 Strategy Paper and the Indicative Programme of 2002-2004 for Central Asia (adopted on 30 October 2002), the EU has allocated EUR944,4 million to the region between 1991 and 2001. It seems that the EU will have to boost its funding commitments to the region if Europe wants to raise its profile in Central Asia.

The TACIS Regional Co-operation Strategy Paper and Indicative Programme 2004-2006 was prepared, in April 2003, to lay the new basis for the EU's involvement in Central Asia. The Strategy Paper highlights the obstacles hindering the success of the Programme. These include the poor governmental and institutional reform for regional collaboration, local problems deterring foreign investment and political skirmishes that threatens the security of the region.

Nevertheless, there are points to be dealt by the EU as well. On the one hand, the lack of a long-term and more precise perspective is already well-known. On the other hand, there is a time difference between the launching and implementation of the projects. Of course, this is related with the enlarged and shifting scope (from being a technical assistance programme into a more development one) of the Programme. Within the EU, at an institutional level, there is an inconsistency on reporting and the accumulation of information. According to the 1999 Regulation, an annual Progress Report should be published. However, the last report is from 2001. With no updated progress report, evaluating TACIS's new role depends upon reporting by EuropeAid and the Commission's medium term Strategy Paper.

In terms of implementation, problems arise during the process of consultation with regional leaders, in terms of political stability and changing governments. Nevertheless, the Commission has only one representation office in Kazakhstan although there are plans to open new ones in Kyrgyzstan, Tajikistan and Uzbekistan. In contrast, the ABD, the EBRD, the IMF, the World Bank, the UN and the OSCE have representations in each Central Asian country. At a meeting in Baku in November 2003, the 'Virtual Silk Road' was discussed at the initiative of the UN Development Programme (UNDP). However, it was felt that a weak EU presence hindered Europe's ability to direct the course of this initiative.

Out of EUR944,4 million of EU funding for Central Asia between 1991 and 2001, TACIS has received EUR366,6 million. The balance was allocated to the region as macro-financial assistance for the 1998 Russian financial crisis, humanitarian aid (ECHO funding of about EUR153,5 million for 1991-2001)

and other assistance programmes for food security (EUR137,4 million), rehabilitation projects and other financial assistance (EUR279,7 million). The figures for EU Member States funding on a bilateral level make for interesting reading. For instance, Germany undertakes projects of EUR50 million annually while the United Kingdom is committing UK£9 million over the period 2004-2005 for poverty reduction projects. According to the EU Indicative Programme for 2002-2004, the grand total will be EUR150 million to be allocated to the region. However, in terms of EU Member States individual contributions, this is comparatively low.

More striking than this is that most of the fund (EUR80 million) is devoted to the PCAs' implementation and other projects run by the regional governments (nuclear safety and environment projects, restructuring state enterprises and private sector development, agriculture and food, energy, transport and telecommunications). Nonetheless, poverty reduction projects will receive only EUR30 million over the three years. Most of the projects, in practice, are targeted towards the implementation of the PCAs and nuclear safety projects instead of relying on humanitarian reasons. However, poverty reduction projects would be better targeted to counter the impact of terrorism as most of these problems originate with high levels of poverty and a lack of basic education.

In turn, the EU has also taken a more realist approach towards the region after the events of 11 September 2001. Afghanistan's destabilising situation and the overall threat of fundamentalist terrorism are the main threats that shape the policy approach of the EU towards Central Asia. However, problems associated with the management of TACIS, its changed legal basis, unclear reporting under the Programme, access to development projects by all segments of the society (especially the integration of non-state actors to the process), the challenge from other donors and the need for a greater emphasis on poverty reduction projects rather than focusing on more politically driven ones, are all factors that force the EU's TACIS programme to be more adaptive and flexible. ■

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Burma holds EU-ASEAN relations back

by John Quigley

Amid widespread disappointment, the leaders of the Association of South-East Asian Nations (ASEAN) have failed to condemn the actions of the ruling military junta in Burma. At a meeting in Bali, Indonesia on 7th October, the leaders of the 10 member group refused to take the opportunity to make a ground-breaking condemnation of the arbitrary detention and assault of the Nobel peace prize winning democracy activist, Daw Aung San Suu Kyi.

ASEAN's inaction over Burma, as made explicit by the talks in Bali, shows the outside world what kind of regional organisation ASEAN aims to be. The EU must respect that. The EU, for its part, should not accept the current situation in Burma particularly with regards to the detention/restriction of Aung San Suu Kyi. However ineffectual they are, the EU has imposed a series of sanctions on the military regime and updated them in June 2003 following what the Council of Ministers called "a serious deterioration of the situation". For its part, ASEAN appears to have stretched its long-held principle of non-interference in the internal affairs of another Member State, as far as it is willing to go.

The first-ever ministerial level declaration came in Phnom Penh in mid June, when ASEAN called on Burma to begin a process of consultation with the democratic opposition groups that would lead to the junta's withdrawal from political life. The Phnom Penh Joint Communiqué was groundbreaking in its direct reference and for a call for action in the internal political affairs of a Member State asking the authorities to "resume dialogue among all parties concerned". This should lead to a "peaceful transition to democracy", the Communiqué noted.

The breakthrough at Phnom Penh was not followed up in decisive terms during the Bali Summit, the ninth such meeting since 1976. Referring to "recent positive developments" in Burma, ASEAN leaders called the latest 'road-map' from the junta for a return to democracy as deserving of "understanding and support". The notion of a road-map for a return to democracy, to pro-democracy activists, sounds strangely familiar and old-hat. However, ASEAN leaders blithely accepted Rangoon's plan as a "pragmatic approach" and an initiative that should promote "dialogue and reconciliation". The reluctance to criticise, at least, the undue length of time previous negotiations have taken and their obvious lack of results, is telling.

Taking its cue from the obvious lack of progress, the European Union seems prepared to bypass ASEAN and proceed to act bilaterally, with those individual South-East Asian countries that share Europe's desire to deepen relations. While maintaining the official policy of non-interference, several Asian governments are privately highly critical of the way ASEAN's external relations with Europe, in economic and political terms, are held hostage by the Burmese junta's refusal to transfer democratic power back to the National League for Democracy, that won the general election in 1990. Understanding that it may be a long time before such private criticism translates into official action, the EU is proposing deepening economic relations outside the ASEAN framework and leaving political concerns to the Asia-Europe Meeting (ASEM) or the ASEAN Regional Forum (ARF).

Directly following the ASEAN Summit in Bali, ASEAN leaders held a series of separate meetings with their counterparts from China, India, Japan and South Korea. Despite raising issues of regional concern to themselves, not one of the four governments highlighted the crisis in Burma. In the absence of official support from key Asian governments and from ASEAN in particular, Europe is slowly laying out a framework that will govern future co-operation with South-East Asia. The European Commission is proposing developing stronger relations with particular ASEAN countries, over others. This attitude comes across strongly even in the title of the July 2003 Communication "A new partnership with South-East Asia". In this document, the European Community-ASEAN Co-operation Agreement, which dates from 1980, is described as "old" and lacking any "realistic prospect of re-negotiation". The Agreement currently regulates Europe's co-operation initiatives with ASEAN but the Commission believes that its modernisation is, for the time being, "out of reach". The Communication lays the outcome of this situation firmly at the door of problems in EU relations with Burma.

To develop bilateral relations with individual ASEAN countries, ahead of 2006 when Burma is due to assume the rotating chairmanship of the regional grouping, the Commission is proposing developing an institutional framework for policy dialogue and co-operation through new individual agreements. This framework will be pursued with those Asian countries "that have expressed an interest". In its 2004 Commission Work Programme, the Commission will propose such bilateral Agreements for Indonesia, the Philippines and Thailand.

The suggestion that EU-ASEAN relations are in any way being downgraded has been vigorously refuted by both European Commission and Council officials, to this writer. Whatever its flaws, ASEAN, as a regional



group, is one of the key avenues for Europe's interaction with Asia. ASEAN covers some very diverse Member States including three categorised as least developed countries (LDCs). It seems that some level of trade relations will continue to be regulated by the 1980 Agreement, while progress on political and development issues will be pursued with those individual ASEAN countries that share Europe's policy objectives, through bilateral accords. ■

Uncertain emphasis on Asia in new EU Security Strategy

by John Quigley

In December, the European Union Summit of the 15 heads of State and government will adopt the definitive EU Security Strategy, outlining the objectives and means of action for responding to Europe's growing economic and faltering political roles in the world. The draft Strategy proposed by the High Representative for Common Foreign and Security Policy, Mr Javier Solana, at the June Summit in Thessaloniki, referred to the growing importance of Asia for the EU and outlined the goal of building "strategic partnerships" with, *inter alia*, Japan, China and India.

The EU's relations with Asia, as set out in numerous policy documents and most recently for ASEAN in a Communication "A new partnership with South-East Asia" in July, has been growing steadily in economic terms. The political relationship, as defined by the Asia-Europe Meeting (ASEM) and the ASEAN Regional Forum (ARF), is still in its infancy, despite diplomatic relations with, for example, ASEAN, stretching back to 1980. For many years, the EU has been trying to expand and deepen the political role, on the back of economic and trade ties. However, Europe's concerns surrounding, in particular, Burma and North Korea have hampered this growth, not least because Asian countries reject Western interference on human rights problems and the perceived lightweight nature of Europe's diplomacy, compared to the United States.

In selecting Japan, China and India as a focus for developing strategic partnerships, Solana's security paper has picked the EU's largest trading partners in Asia and those countries that readily accept Europe's vision of a multi-polar world, albeit with the European Union as sizeable player on the global scene. By May 2004, following the accession of 10 central and eastern European States, the EU will comprise 25 Member States with 450m people. In Brussels, some current buzz-words include the phrase that with a 'global presence come global responsibilities'.

Mr Solana has consistently emphasised Europe's pressing need to be responsible for its own security and, further, to play its part in maintaining global security. Italy's Minister for Foreign Affairs, Mr Franco Frattini, spoke more freely when he indicated that the European Union "has global interests" and that the EU must be prepared to "defend its values". Speaking to the Belgian Royal Institute for International Relations in late November, Solana said that distant threats, such as weapons proliferation in South-East Asia, have the potential to affect gravely Europe's security. It is vital therefore, that Europe's *political project* is "well adapted to the new international strategic context".

In terms of the new strategic context, the draft Security Strategy paper identifies three threats to the EU namely, terrorism, the spread of weapons of mass destruction and the growing link between failing and failed States and organised crime. The major political context to the paper rests in the implications that these threats have for the EU's foreign and security policy. In order that Europe should match its potential, Solana proposes that the European Union will need to be "more active, more coherent and more capable" in its foreign policy.

While the greater part by far of the EU's desire to develop its capabilities, in civilian and military terms, lies in engaging "neighbouring regions", Solana does not rule out European engagement "further afield in the world". If this is true, then the creation of the European Rapid Reaction Force (ERRF), which according to the Helsinki Headline Goal should become operational by the end of 2003, takes on a whole new perspective. The ERRF comprises up to 60,000 troops, deployable within 60 days and for up to one year.

Despite Solana calling for more action and greater capabilities, EU leaders are notoriously reluctant to provide adequate funds to finance Europe's objectives in the common foreign and security policy (CFSP). In his role as President of the EU Foreign Affairs Council, Franco Frattini, speaking in the European Parliament on 22nd October said that, the still modest financial possibilities obviously limit the prospects for taking action. Chris Patten, the Commissioner for External Relations, is known to see a strong link between the poor 'political will' of some (larger) Member States and their reluctance to adequately finance the CFSP. A major test will come with the adoption of the draft EU Constitutional Treaty, which provides for an EU Minister for Foreign Affairs, who will have a role both in the Council of Ministers and the European Commission. Without appropriate funding, the role will degenerate into a political side-show.

Although the Solana paper encouragingly calls for building strategic relationships with specific Asian countries, the draft document does not offer any



suggestions as to what the nature of the relationship should be. It seems no clear details of what Europe wants in its (security) engagements with China, India and Japan has been worked out. Since Javier Solana published his draft paper in June, the European Union has held Summits with two of the three Asian countries named as obvious strategic partners. The two Summits, which were regarded as successes, offered China and India an opportunity to outline how their relationship with the EU could develop. In the end, both Summits and both sides made only passing references to Solana's document.

On 30th October, EU leaders met with Wen Jiabao and Hu Jintao in Beijing for the sixth EU-China Summit. Apart from acknowledging the Solana paper, the greater focus of the Summit was on European Commission's "maturing partnership" policy paper on EU-China relations and Beijing's China-EU paper, both of which were made public in October. One month later, a poorly represented EU at political level was in New Delhi to meet Atal Bihari Vajpayee and Yashwant Sinha. Without offering any analysis, the Summit merely "took note of" the draft paper and did not attempt to explain what it might mean, for either side. The EU-Japan Summit took place in early May, ahead of the publication of the Solana draft, and both sides were content to about "reinforcing their political and strategic partnership". Reflecting the existing close ties between Brussels and Tokyo, the conclusions of the Summit could refer to the "rising tempo of political dialogue and co-operation" between the EU and Japan. On the substance of the Solana draft, Tokyo subsequently passed along written comments to Brussels.

While the European Council meeting in Brussels in December, will adopt the definitive EU Security Strategy, it is not expected to add anything significant to the content prepared by Solana back in June. According to a Council official, specific details of the Security Strategy, including regarding Asia, will be worked out during the Irish Presidency of the Council, which lasts from January-June 2004. The first such opportunity will come in January through the General Affairs Council, which brings together the EU's Foreign Ministers. Asia is not expected to feature in those discussions however, with the emphasis more likely to be placed upon developing a plan for the Middle East, Bosnia Herzegovina, counter-terrorism and weapons of mass destruction.

Then, in February 2004, EU and Chinese officials are expected to meet in Beijing to discuss the two recent policy papers and to consider the definitive Security Strategy. The EU-India Summit also agreed to "further consultations" on the EU Strategy, but no date for discussions has been set. It is a common maxim that Europe's external political interests can be measured by the locations of its CFSP Special Representatives:

several in the Balkans, wider Europe, one in Africa and, lastly, with respect to Asia, one for Afghanistan. Bearing all this in mind, what kind of strategic relationship could Asia be looking for in its dealings with the European Union? ■

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BOOK REVIEW

Trumpets and Tumults: The Memoirs of a Peacekeeper
Maj. Gen. Indar Jit Rikhye
New Delhi: Manohar, 2002. Hbk., 266 pp.

Operation Black Thunder: An Eyewitness Account of Terrorism in Punjab
Sarab Jit Singh
New Delhi: Sage Publications, 2002. Pbk., 357 pp.

Kargil: Blood on the Snow: Tactical Victory Strategic Failure: A Critical Analysis of the War
Maj. Gen. Ashok Kalyan Verma
New Delhi: Manohar, 2002. Hbk., 227 pp.

Reviewed by Dr Apurba Kundu

Since independence in 1947, India has faced any number of challenges to its national security, both internal and external. Domestically, these have included the (sometimes forcible) incorporation of the Princely States, left-wing terrorism in Andhra Pradesh and West Bengal, armed insurrections in Assam and the Northeast, Punjab, and Kashmir and, most recently, alleged Islamic terrorist outrages in Mumbai. International challenges to national security have led to armed conflicts with Portugal (over Goa), China (over Ladakh and the North-East frontier area), and Pakistan (over the Rann of Kutch, Bangladesh and—repeatedly—Kashmir).

India has also used its armed forces to project its power abroad. As a regional power, the country has liberated Bangladesh, sent an Indian Peacekeeping Force (IPKF) to Sri Lanka, and forcibly prevented the overthrow of the government of the Maldives. On the world stage, India countered the “with us or against us” demands of the Cold War by leading the Non-Aligned Movement, and has backed up this ideological commitment by deploying its armed forces in support of United Nations (UN) peacekeeping operations in Korea, Egypt, Indochina, Congo, Yemen, Cyprus, and along the Iran-Iraq and Iraq-Kuwait borders, respectively. Indian military personnel also have participated in UN observer operations in Namibia, Mozambique, Cambodia, Somalia, Rwanda, Central America, El Salvador, Liberia, Angola and Sierra Leone. In the new millennium, India is the second largest troop contributor to the UN.

The three books under review provide an insight into the full range of Indian security issues from pre-independence to today. *Trumpets and Tumults* is the autobiography of Major-General Indar Jit Rikhye, an officer who fought with the British Indian Army in the World War II theatres of the Middle East and Italy before independence and, afterwards, went on to serve as military advisor to two UN secretaries-general. *Operation Black Thunder* is an analysis of the 1988 police action that dislodged militants holed up inside the Golden Temple complex by Sarab Jit Singh who, as

Deputy Commissioner (DC) in Amritsar from July 1987 to May 1992, was intimately involved in the local political and administrative decision-making process. *Kargil: Blood on the Snow* is an examination of this third in a series of Indo-Pak wars (if one defines war as inter-state conflict occasioning at least 2000 battlefield deaths) over Kashmir by Major-General Ashok Verma, a retired Indian military officer with extensive experience of combat and higher strategic planning.

Rikhye's *Trumpets and Tumults* is a welcome addition to the growing list of autobiographies by, and biographies of those Indian officers who contributed to the birth of a nation. The author recounts how, as a young boy, he was chided for his career intentions by his father at a meeting with Mahatma Gandhi:

"The silly boy wants to join the army". Looking me in the eyes, Gandhiji said, "But that is good. We want good, educated young boys to become officers of the army of free India" (p 48).

Of course, Indian military officers did not fight the British to win independence. However, their steadfastness under fire in all the major combat theatres of World War II combined with their refusal to involve themselves in nationalist politics to reassure both the departing British and the incoming Indian political leadership that power would be handed over to an officer corps fully capable of defending India's security while remaining subservient to civilian supremacy-of-rule. Indeed, their non-involvement in politics has been one of the major factors ensuring that India's "experiment" with democracy has been—and will continue to be—successful.

After seeing action during World War II, Rikhye returned to an India on the verge of being partitioned. Ostensibly, officers were allowed to select which of the new states of India or Pakistan they would serve. Although from a Punjabi Hindu Brahmin family, Rikhye “kept my promise to the Muslim men and volunteered for Pakistan” (p 86) when he learned his regiment had been allotted to Pakistan. However, a few days later, he was informed that “[M.A.] Jinnah had instructed [Northern Command Commander-in-Chief Sir Douglas] Gracie that no Hindu or Sikh officer was to be permitted in the Pakistan Army” (p 86). (Despite Rikhye's recollection of this conversation, non-Muslim officers have served with distinction in the armed forces of independent Pakistan.) It was not very long before Rikhye found himself among those of the newly independent Indian Army to be thrust into battle in Kashmir in 1947 during the first Indo-Pak War.

A few years later, in what was to prove a significant turning point in his career, Rikhye returned to the Middle East when his regiment formed part of the United Nations Emergency Force (UNEF), created in 1956 following cessation of hostilities between Egypt



and Israel. Then, after some years spent on the Ladakh frontier, Rikhye returned to peacekeeping as chief military advisor on the Congo to UN Secretary General Dag Hammarskjöld. His career in peacekeeping was now set, and Rikhye continued to serve the UN in this field, including a stint as UNEF commander when the force found itself embroiled in the Six Day War. In 1969, Rikhye left the UN and retired from the Indian Army to continue a life dedicated to pursuing the peaceful resolution of conflict, including an appointment as the founding President of the International Peace Academy, a post he was to hold for the next twenty years.

In the 1980s, there was little peace in Punjab. In an effort to win independence, Sikh militants led by Jarnail Singh Bhindranwale were conducting a campaign of terror across the state and beyond, orchestrated from their heavily fortified headquarters inside Amritsar's Golden Temple complex. In 1984, the government of Indira Gandhi used the Indian Army to flush out the militants. It proved a disastrous decision, as well over a 1000 officers and soldiers, militants and civilians trapped inside the complex died in Operation Blue Star. In its aftermath, Sikh regiments experienced troop mutinies, thousands of innocent civilians were massacred in anti-Sikh riots, and Indira herself was assassinated by two of her Sikh bodyguards.

In contrast, Operation Black Thunder was a resounding success. Again, Sikh militants bent on waging terror against the state had gathered within the Golden Temple complex in defiance of religious and secular authorities. However, this time, state authorities put together a plan that peacefully forced out the militants using a combination of nuanced negotiation, backed up by a heavy paramilitary and police presence.

As Amritsar's DC, Sarab Jit Singh was closely involved in carrying out Operation Black Thunder, and much of its success is owed to his informed and cool decision-making during the most delicate phases of the negotiations. Unfortunately, the same cannot be said of others who became involved in the events that followed. Singh reveals the Congress party in Delhi almost invariably as ignorant, inept and caring only for its electoral success at the national level. He agrees with others who have written of Bhindranwale as largely a creation of Indira Gandhi and her cronies. Although he was eliminated, Sikh militancy continued to flourish as the new administration of Indira's son and successor, Rajiv Gandhi, fiddled while Punjab burned. As Singh writes:

...the truth is that militancy in Punjab was never a people's movement. It had been planted with a purpose—divide and rule. The truth is that some people in the ruling Congress party tried to undermine Operation Black Thunder and sabotage the other peaceful efforts of Governor

S.S. Ray. The truth is that Governor's [sic] N.K. Mukherji and V. Varma did a great deal to raise people's morale and had laid firm foundations for the decline of militancy... but both Governors were eased out before long... O.P. Malhotra sustained the campaign of his predecessors so effectively that the end of militancy could be seen around the corner. But he had to resign because the newly elected Congress government at the Centre cancelled the June 1991 elections without taking him into confidence...(p 19).

For Singh, what could have been a relatively short-lived militancy movement dragged on for years because the local decision-makers who knew the situation well were wilfully ignored, at best, and deliberately sabotaged, at worst, by successive Congress administrations at the centre.

The question of intra-government fighting also plays a huge role in the Kargil War. In late-1998/early 1999, the Pakistan Army decided to launch a campaign of armed infiltration in the Kargil sector of the Line of Control (LoC) which has separated Pakistan-administered and Indian-administered Kashmir since 1949. Surprised at making little or no contact with Indian forces (who, as usual practice during the Winter months, had withdrawn to more hospitable positions lower down the slopes), elements of the Pakistan Northern Light Infantry and their *mujahedeen* allies soon found themselves well entrenched in commanding heights deep inside Indian-administered Kashmir. Debate continues as to the exact tactical and strategic motives of the army in launching the infiltration: Was it to retaliate for India's continuing presence in Siachen, to scupper the nascent Indo-Pak peace process, to push Kashmir higher up the international agenda, to conquer territory sufficient enough to force India to negotiate the region's sovereignty, or some combination of all these reasons? The muddle surrounding the aims and objectives of the army also may be applied to the question of if, when and how much Pakistan Prime Minister (PM) Nawaz Sharif actually knew about the plans of army commander (now Pakistan President) General Pervez Musharraf and his staff. If the PM did know in advance, why was he simultaneously agreeing the Lahore Accord with Indian PM Atul Behari Vajpayee? Finally, it remains unclear as to the exact role played by United States President Bill Clinton in warning Sharif of his dwindling support. Did the PM's agreement to pull back his forces turn Pakistan's tactical advantage into a strategic failure?

Whatever questions the Kargil War may have thrown up about infighting on the Pakistani side, Ashok Verma is sure that the Indian conduct of the campaign represents, as the subtitle to his *Kargil: Blood on the Snow* states, "Tactical Victory, Strategic Failure".

Verma begins cautiously, arguing that it is “still too early to write a completely objective or analytical account” (p 21) of so recent an event. Still, he is confident that, for the public, what commentators have dubbed “India’s first media war...generated a unifying response of binding a nation together as never before” (p 22). Similarly, Verma is in little doubt that Indian military personnel assigned to winkle out the infiltrators entrenched in commanding heights with clear lines of fire performed heroically—certainly, they suffered enormous casualties. Yet he worries that this popular and stout defence of Kargil could obscure the multiple failings of high-level political, intelligence and military decision-makers in the run-up to, and conduct of the Kargil War. Verma warns that the current emphasis on heavily manning outposts all along the LoC is a “strategic blunder brought on by the Indian mindset of ‘no loss of territory’ of the political leadership, compounded by the ‘No-mistake [overly cautious] syndrome’, that permeates the military in the higher ranks” (p 176).

Of the three books under consideration, it is the work by the civilian author who provides the most useful effort. Although Major-General Rikhye lived and served through critical phases in the history of India and UN peacekeeping, *Trumpets and Tumults* provides few insights into either military service or international operations. Descriptive rather than analytical, this book fails to do justice to this most peaceful of Indian officers. In contrast, Major-General Verma’s *Kargil: Blood on the Snow* is a serious attempt to analyse the factors behind India’s political and military conduct of the war. The book is to be commended for his common-sense recommendations on the formulation of military strategy and organisation of the civil-military decision-making hierarchy (as well as its detailed maps that clearly illustrate critical phases of the war). However, for all its worthiness, Verma’s effort lacks the immediacy and inside knowledge of an author who participated in the events he describes. There is no such failing in *Operation Black Thunder*. Personally of the Sikh faith, professionally, Sarab Jit Singh was involved with the direct results of Sikh militancy, from “rehabilitating the migrant victims of the Delhi riots”, (p 17) through negotiating the successful conclusion of Operation Black Thunder, to being awarded the *Padma Shri* for his services to Punjab and the nation. That his carefully researched and thoughtful examination of Punjab militancy before, during and after Operation Black Thunder highlights the woeful conduct of many of its players (some of whom threatened to sue the author for defamation) is not Singh’s fault. Instead, it is a sad indictment of how Indira Gandhi, her son Rajiv and their many sycophants began a process which has reduced the once great Congress party to the shadow it is today. ■

Rethinking EU-India development co-operation

17th December 2003

Dear Sir,

I have read the article “Rethinking EU development policy in India”, published in *EurAsia Bulletin* in August-September 2003, with great interest. However, there are two assumptions in the text that would need to be corrected, so as not to distort the image of the current European Community (EC) Country Strategy Paper for India for 2002-2006.

The author argues that the State Partnership Programme has the effect of shifting aid away from the neediest States in India. However, the Country Strategy paper explicitly aims at the opposite effect, by clearly outlining the criteria for Indian States ready to engage in dialogue with the EC. The respective State must, *inter alia*, “be situated in the lower half of the GDP ranking of Indian States and show a deficit in the balance of social indicators”. Forthcoming EC efforts will focus on the Indian States of Chhattisgarh and Rajasthan, which are both below India’s average human development indicators (that is, do not belong to the more well-off States) and have not benefited from large-scale donor-funded programmes. EC resources are thus concentrated on two of the poorest States in the country. In doing so, the EC also addresses one of India’s major challenges, namely the low literacy rates in the Hindi belt, of which Chhattisgarh and Rajasthan are a part.

Secondly, I would like to emphasise that, working through and with civil society, as well as with NGOs, is one of the key principles in the framework of the EC-India co-operation, outlined in the Country Strategy paper. In this context, the EC engages in supporting Indian as well as international NGOs that work directly with communities most in need. As the author correctly observes, the EC is currently funding more than 170 NGO projects in India, with a particular focus on four large projects. From this follows that, the EC, rather than missing a focus on individual civil society organisations, is specifically engaging in strengthening civil society links. An interesting example is the EU-India Economic Cross Cultural Programme, whose recent ‘Call for Proposals’ has generated more than 20 civil society projects that will absorb some EUR12m.

Yours faithfully,

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