Asian Voices in Europe

March 2008

EUROPE IN THE WORLD

March 2008

Table of Contents

Keynote speakers

Barry Desker, Dean, S. Rajaratnam School of International Studies, Nanyang Technological University, Singapore

Anwar Ibrahim, former Deputy Prime Minister of Malaysia and Honorary President of AccountAbility

Rajendra K. Jain, Professor of European Studies and Chairperson, Centre for European Studies, School of International Studies, Jawaharlal Nehru University, New Delhi

Richard Weixing Hu, The Brookings Institution/University of Hong Kong

Talat Masood, retired Lieutenant-General, Pakistani military and political analyst

Dmitri Trenin, Deputy Director of the Carnegie Moscow Centre

Shigeru Tsumori (Former Japanese ambassador to Myanmar), Professor of the Department of International Social Sciences, Toyo Eiwa University, Yokohama, Japan

Zainal Aznam Mohd Yusof, Distinguished Fellow, Institute of Strategic and International Studies, Kuala Lumpur, Malaysia

Foreword

By Shada Islam

The European Policy Centre and the Tokyo-based Sasakawa Peace Foundation continued to cooperate on their joint 'Asian Voices in Europe' lecture series in 2007-2008 for the second year running.

Under this initiative, eight Policy Debates were held in Brussels on key economic, political and security developments in Asia and various aspects of EU-Asia relations. These discussions included presentations by high-profile Asian speakers from Malaysia, Singapore, Pakistan, India, Hong Kong and Japan. In addition, there were experts on Asia based in the United States and the EU.

The EPC has been working on EU-Asia relations and Asian affairs since 2004, and the 'Asian Voices in Europe' lecture series is an important and complementary part of this work.

The Sasakawa Peace Foundation (SPF) was established in September 1986 as a private non-profit organisation. Since then, it has launched a wide range of programmes aimed at promoting international understanding, exchange and cooperation between Japan and the rest of the world. The SPF has been organising 'Asian Voices' seminars in Washington, DC, for eight years and decided to extend this to Brussels in 2006, in collaboration with the EPC, to address a European audience.

The series reflects Asia's growing importance in international economic, political and security affairs, increased Asian interest in the Union and the more intensive relations between the two regions.

Important issues related to democracy and Islam in South-east Asia, the region's economic revival after the 1997 crisis, ASEAN's 40th anniversary and the crisis in Burma were discussed by panellists. In addition, the focus was also on political developments in Pakistan, the emergence of China and India as major economic players and developments in Central Asia. The series ran from June 2007 to March 2008.

The Asian speakers who took part certainly made their voices heard through interesting and thought-provoking presentations. They did not shy away from controversy, stimulating lively and challenging debates with panellists, including European and American analysts and scholars, and EU officials.

This publication includes reports on all these events, plus the transcripts of the keynote speeches given at each of them.

This lecture series has been so successful that the EPC and the SPF have decided to continue the initiative in 2008-2009. The EPC is grateful for the generous support provided by the Sasakawa Peace Foundation and is looking forward to continuing the collaboration over the coming year.

Shada Islam is a Senior Programme Executive at the European Policy Centre.

I. Democracy and Islam

June 18 2007: South-east Asians do not see any contradiction between democracy and Islam, nor do they fear that electoral victory for Islamist parties would lead to the setting up of a Muslim state. However, the EU could help democracy by strengthening its ties with ASEAN, rather than criticising countries whose democratic models are not 'European'.

Event report

Anwar Ibrahim, former Deputy Prime Minister of Malaysia and Honorary President of AccountAbility, said that while the topic of 'Islam and democracy' had generated considerable interest in Europe and the US, it did not arouse much interest in south-east Asia.

In the region, Islam is simply seen as a religion, spread by religious teachers and merchants. People are more interested in a peaceful transition to democracy and strengthening civil society institutions, so it is important to address the "fragilities of democracy". Being a democracy does not just mean holding elections, as the situation in the Philippines demonstrated: it means having strong institutions, eliminating endemic corruption and eradicating poverty.

Mr Ibrahim described how in Thailand, the lack of proper institutions had enabled democracy to be hijacked. While the army coup which overthrew Prime Minister Thaksin Shinnawatra in 2006 had initially won popular support, people were now disturbed that the army's proposals for governing the country seemed to strengthen its hold on power.

The leaders of many countries in the region believe they have a right to conduct their own affairs without outside interference, said Mr Ibrahim. Burma is the worst case of this, as the junta has trampled on human rights and denied democratic rights, keeping the elected leader Aung San Suu Kyi under house arrest.

In Indonesia, attempts are being made to rebuild democracy after 30 years of dictatorship. Mr Ibrahim quipped that the outside world appeared to fail to understand that after independence in 1955, the country had been a "vibrant democracy", holding elections that were freer than recent ones in Florida, USA.

Unfortunately, he said, some countries such as the UK distrusted Islamists in Indonesia. Governments should concentrate on the major issues of democracy and freedom, be flexible and accept that all democracies need not fit the Western model. Mr Ibrahim said it was important to allow Islam and democracy to co-exist in the country and he urged the international community to ensure "this experiment" succeeded.

He explained how throughout south-east Asia, Muslim parties are free to participate in the elections, as people do not fear that electoral victory for these parties will lead to an Islamic state. It was part of being a vibrant community.

Mr Ibrahim said democracy could not survive anywhere under a blatantly corrupt system, where the population was poor, or if the judiciary was not independent. People in Asia believe in "soft Asia values", and Muslim scholars have always insisted that Islam and *Shari'ah* are based on the fundamental principles of freedom of conscience and expression, sanctity of life and property, and honour towards men and women.

Governments need to engage with Islamist parties. If they do not, this could push them into extremism. The more one opens a dialogue, the more one learns the views of ordinary people – and engaging in "dynamic dialogue" is a requirement of the Muslim *umma* (world community of Muslims).

Mr Ibrahim described Malaysia as a peaceful and vibrant country, but one where the media is under government control and where people joke that one knows the election results two weeks before the elections.

Role of Islamist parties

Martin van Bruinessen, International Institute for the Study of Islam in the Modern World, Chair for the Comparative Study of Contemporary Muslin Societies, Utrecht University, focused his remarks on the Islamist parties in Indonesia and Malaysia.

While not fully democratic, the Prosperous Justice Party (PKS) is Indonesia's most powerful force for democratisation, as it accepts the "rules of democracy", although it believes that ultimate sovereignty lies in divine hands. This might limit its actions, if a democratic policy contravened a teaching in the *Qur'an*, said Mr van Bruinessen, but this has not happened so far and the PKS is a democratic organisation.

It has gained popularity by reacting faster than the government to the country's recent man-made disasters, and by fighting corruption both within the country and within its own ranks.

Turning to Malaysia, Mr van Bruinessen said the Pan Malaysian Islamic Party (PAS) was gradually moving towards a "liberal view of politics", using the example of the AKP (Justice and Development Party) in Turkey as a successful democratic Islamist party in government. He wondered whether the PAS could be a democratic force to change Malaysia in the same manner.

François Massoulié, Relations with Iran, Directorate-General for External Relations, European Commission, found the perspective from south-east Asia refreshing for Europe, where the image of Islam has such negative stereotypes and prejudices that go back to the Crusades. This prejudice had increased since 9/11, leading to a so-called clash of European values and the Muslim world, with many in Europe seeing a Muslim as "the other".

Mr Massoulié noted that Mr Ibrahim had talked about Islam in the context of social justice, economic trends, the fight against poverty and good governance. He said that these "Asian values of soft democracy" were the universal values outlined in the United Nations Universal Declaration of Human Rights, with Article 21 specifying the right to Freedom of Association and to participate in government irrespective of nationality, creed or gender.

However, he noted, the EU has its model of values, while Malaysia – and Europe's "near neighbours" – also have their own (different) models.

Mr Massoulié said that as an official of the EU, which is based on secular principles, neither Christianity nor Islam were important to him. He found it misleading to see Islam in opposition to democracy – Islam is an important world faith, with a core set of historical and religious references that takes different colours depending on the time and the country.

Most Europeans have mistakenly equated Islamists with Arabs and terrorists. It is important for Europe to engage with its Mediterranean neighbours, while avoiding the dichotomy of promoting human rights and free and fair elections, and then seeing countries like Algeria annulling the elections when it was assumed that an Islamist party would gain power.

The process of building relations with the Arab World and Northern Africa had begun through the EU-Mediterranean partnership and the Barcelona Process.

Islam is compatible with democratic values, insisted Mr Massoulié. The vast majority of Muslims fully support freedom of expression and association and democratic rights, and this, he believed, is also compatible with supporting the *Shari'ah*.

Governance – a critical issue

Shada Islam, Correspondent, *Deutsche Presse-Agentur*, said Europeans tended to see Islam as a Middle East phenomenon, failing to appreciate its importance in south-east Asia, where it had been spread by teachers, not by the sword, unlike other religions.

She welcomed Mr Ibrahim's emphasis on the "critical issue of governance" and described Pakistan's enormous problems in this respect. The country needs to strengthen its institutions, ensure an independent judiciary and allow a free media, the lack of which is "a stain on a country".

Holding elections is not enough. In Pakistan, people also jokingly ask which general will be elected in the "general elections". Ms Islam described Turkey as an inspiration to Islamist parties, and an experiment which neither the Turks nor other Europeans could afford to see fail. It will be taken as an illustration of Europe's relations with the Muslim world and is being watched in Asia as a possible model.

Ms Islam finished by asking Mr Ibrahim how people in Asia viewed the Middle East. In Europe, it was a source of concern and anxiety, but did Asians believe that the dictatorships in the region had any potential for change?

Discussion

Responding to this question, Mr Ibrahim said he would only be optimistic about the region if the US withdrew and the Israeli/Palestinian conflict was solved quickly. He knew from his six years in prison that one cannot break a person's spirit, so bullying the Palestinians over five decades has only strengthened their resolve.

He had met many Arabs committed to reform, and he urged the EU to encourage people to support civil society groups and pursue consistent policies in the Arab world.

Asked what the Union should do concretely to help democracy in south-east Asia, Mr Ibrahim said EU engagement with the Association of Southeast Asian Nations (ASEAN) was critical. ASEAN had brought peace to the region and needed support in the form of stronger economic relations with Europe.

Asked whether Asia needed a pan-Islamic party, Mr Ibrahim was not certain it did. Each country should improve its own governance structures first, since "being Muslim" meant sharing needs and acting in a similar way, rather than "sharing labels" across frontiers.

Pressed about the EU's approach to Islam, Mr Massoulié repeated that it was a secular institution, although individual Member States approached religion in their own way. He noted that some countries, such as Turkey, were "aggressively secular", in that they did not want religion in the public space.

Mr van Bruinessen added that not everyone agreed with the EU's universal values and its emphasis on secularism. He urged the Union not to reject Turkey, as this could mean missing an excellent opportunity to engage with the country.

Keynote speech: Democracy and Islam

By Anwar Ibrahim, former Deputy Prime Minister of Malaysia and Honorary President of AccountAbility

I have to begin by saying that, contrary to the general notion today, the discourse on democracy and Islam did not arise only after 9/11 or even only after the Islamic revolution of Iran. It began much earlier. The discourse itself is not so much about democracy and Islam than about the purported hostility between the two. It is said that this hostility arises from, among other things, the supposed inherent incompatibility

between the concepts of God's sovereignty and man's sovereignty. The basic thesis is that in Islam ultimate sovereignty belongs only to God and that man has no right to legislate against the clear commands of God. Democracy, on the other hand, it is argued, involves doing just that because it seems there are clear commands in the *Qur'an* which will have to be disobeyed if principles of democracy are to be made into law. That's the basic argument I believe.

For example, it is contended by certain *ulama* that truth and correctness cannot be determined by numerical strength. In other words, they see democracy as essentially a numbers game. Furthermore, democracy is synonymous with a multi-party system and the kind of politics that is characteristic of such a system has a corrupting influence on government, promotes a false sense of loyalties, and causes disunity of the *umma*, that is, the Muslim community.[1]

With respect to the *ulama*, and in particular, the learned and very influential scholar, Maududi, whose argument it is that I have just quoted, I believe that the basic flaw of this argument is that it is founded on a fundamental misperception of the essence of democracy itself. But even more troubling about this kind of argument is that it becomes fodder for dictators and autocrats to drum up anti-Western sentiment.

The *modus operandi* is quite predictable: after citing authoritative *ulama* to attack democracy as being purely a Western phenomenon with its attendant evils, they will then quote chapter and verse as to why they have the right to exercise power the way they do. For instance, the *Qur'anic* injunction to "obey God and obey the Messenger, and those in command among you" is often cited as justification that political leaders must be obeyed without question. As I have said elsewhere, by juxtaposing the exercise of state power with the sovereignty of God, this view confers on tyranny the mantle of not only worldly legitimacy but divine ordination. In other words, if you want to be a dictator then it pays to do it in the name of Islam!

But not all despots and dictators fall back on the *Qur'an* in order to forestall democracy. On the contrary, secular autocrats would customarily raise the spectre of radical Islam gaining power in the event of elections by popular vote. The whole idea here is to generate fear among democracies in the West and provide their leaders some kind of moral justification why they should opt for the so-called lesser of two evils, which is to allow these despots or dictators to hold on to power. We are told that if you allow Islamists, fundamentalists or other radicals to come to power, you risk a *jihadist* rampage! Or the destruction of Israel! The upshot is that the Muslim world suffers the dubious distinction of having the longest ruling autocrats and dictators, and when their communities actually get to opting for democracy, their leaders are denied legitimacy.

I pause now to warn against the tendency to lump all *ulama* as being anti-democracy. Take for instance, the concept of the rule of law, which is an essential feature of true democracies. At this juncture I am not quoting John Locke but the great classical jurist Shamsuddin al-Sarakhsi (d. 1090 AD) In his *Mabsut al-Sarakhsi* he said that a ruler's appropriation of someone's possession is a usurpation of rights and because of that, the granting of ownership to someone who is not the rightful owner is void. The benefit which is wrongfully appropriated must be returned to its owner if alive and to his heirs.

This may be looked at merely as a postulation for a broad principle in the law of transactions (or *muamalat*). But this can also be viewed as the classic foundation for the modern concept of the rule of law from which several fundamental principles may be derived. The first is that the expropriation of an individual right by the state constitutes an infringement of the rule of law. The second is the principle that the judge must exercise caution and discretion in his pronouncements. And third, and perhaps the most significant, is the principle that all men are equal before the law and that society has rights even as against the state.

Though the rule of law is now a firmly established principle in modern democracies, it should be remembered that at that time this concept was nothing short of revolutionary. Dicey's 'Law of the Constitution' came into existence only 850 years later. In the light of the above arguments, it is clear that the theory of incompatibility between democracy and Islam remains a notion which cannot be seriously defended at the foundational level. But this is not to say that the rule of law as we understand it now existed at the time.

If a major prerequisite of constitutional democracy is the establishment of the rule of law, where constraints are placed over the activities of public authorities and fundamental liberties are in place to protect the people, then obviously such a democracy did not exist at the time of classical Islam. However, the seeds of such a democracy were already sown, though in the course of history the failure to nurture its growth meant that they simply could not germinate, let alone blossom into anything.

Why was this so?

In the 19th century, Rifa'ah Rafi' al-Tahtawi asserted that patriotism – *hubb al-watan* – was the condition *sine qua non* for the establishment of a civilised community.[2] The stress on *hubb al-watan* as a modern conception of territorial patriotism is significant, and marked a departure from the religion-bound notion of the Islamic *umma*. That was, of course, the Khaldunian notion of *'asabiyya* where membership to the *umma* was exclusive to Muslims only. By allowing other faiths to join in, Tahtawi's approach therefore broke new ground by breaching the time honoured religious connotations of the term *umma*.

To my mind, this, no doubt, was among the earliest calls to plurality, and made him one of the earliest progressive reformists in Islam associating with some of the Enlightenment's leading ideas – the principle of justice being essential for a good society, and the theme of virtue and liberty drawing influence from Montesquieu. Speaking of whom, we know from his *Persian Letters*, for example, that the best life is not the hedonistic, libertine existence but the virtuous one.

Liberty and virtue are invariably linked and in *The Spirit of the Laws* he asserts that virtue is the dominating principle in a republican form of government; where virtue fails, freedom disappears into the hands of a despot. Detractors would argue that Tahtawi had to abandon Islamic principles in order to embrace democracy. I beg to differ. To my mind, he saw that the principles of the Enlightenment were not really at variance at the foundational level with Islam, notwithstanding the conventional wisdom of the day, and proceeded to advocate them.

When Muhammad 'Abduh came on the scene, the inevitable clash occurred between the traditional and the modern, the old religious schools with *al-Azhar* at the pinnacle versus the European mission schools. 'Abduh saw the European light but was not dazzled by it, advocating instead reform through the lens of an Islamic renaissance. Essentially, he saw the clash within Islamic society and advocated a return to the principles of Islam that could justify the introduction of modern Western learning.[3] But there was no attack on democracy *per se*.

Syed Ameer Ali contended that the ideals and history of Islam showed that it was fully compatible with the Victorian notions of individual choice, private property, and regard for rationality. Muslim societies, at one time far more advanced than European societies, fell behind because of the intellectual inertia brought on by a complete misunderstanding of the foundational principles of the religion.[4]

This led to the stagnation and intellectual slavishness of the age of *taqlid*. Europe was the answer. Apologetic writings in this mould culminated in Taha Husayn's entirely misconceived attempt to prove that Egypt was essentially a Western land in terms of cultural orientation.[5] Taha Husayn's philosophy of history and society, under the influence of the French masters such as Comte, Renan, Anatole France and Andre Gide, was a complete transformation of the worldview with Europe becoming the epicentre, symbolising modernity and progress, and a perfect metaphor for Egypt's transformation: to be modern Egypt must therefore become part of Europe.

It is therefore clear that contrary to assertions from both sides, democracy and Islam were not traditionally at loggerheads but unfortunately it was the overzealousness of some of the liberal advocates that triggered a backlash from the rest of the *ulama*.

Hence, Taha Husayn's exuberance in some ways can be said to have provided the last straw; this European obsession, thrown into harsh relief against the backdrop of oppression felt by Muslims under

the yoke of colonialism, triggered the violent reaction which brought forth the likes of Rashid Reda, Hassan al-Banna, Sayyid Qutb and Maududi.

Tracing its genealogy to Jamaluddin al-Afghani and moulded and ameliorated by 'Abduh, this started as pan-Islamism with a benign face which was prepared to integrate the old with the new and more particularly traditional Islam with the progressive features of the West. But the disciples broke ranks from their masters because they could not see how any middle ground could be reached with a morally reprehensible and decadent West. For instance, Sayyid Qutb advocated that only an Islamic State could counter the West and anything non-Islamic was evil and corrupt.[6] Together with Hassan al Banna and Maududi, Qutb transformed pan-Islamism from modernist reformism to radical fundamentalism. Democracy, no doubt by this time, had been sentenced to the gallows.

On the other hand, in south-east Asia, particularly for the Malay-Indonesian archipelago, a pre-Pan Islamist modernism prepared the way for Muslims to embrace more readily Arab modernism than its reception at its own place of birth. While 'Abduh's project in the Arab world lost steam by the second half of the last century it was more readily embraced into mainstream Islam in south-east Asia, avoiding the intra-civilisational clash unfolding in the Middle East. Modernity and moderation came hand in hand for the region.

They did not throw away the baby with the bathwater. Mohamed Natsir and Hamka, leading exponents of what they felt to be the Islamic worldview, which included the love of knowledge, promotion of democratic values and inclusiveness, were readily embraced. The writings of Sultan Takdir Alisyahbana, and Soedjatmoko, among the most ardent advocates of Westernisation, were also well received after separating the wheat from the chaff: ideas about modernising the education system were accepted while outright adoption of Western ways was rejected.

I daresay that it is this feature of south-east Asian Islam and particularly Indonesian Islam that has enabled Indonesia recently to make its quantum leap from dictatorship to democracy. Muslim social scientists could draw invaluable lessons from this rapid accommodation of south-east Asian Islam to modernity, and perhaps appreciate better why Islamic radicalism is less successful in south-east Asia. This is not to deny that radicalism can and does in fact pose a serious challenge to the region but for radically different reasons, political repression and marginalisation being the chief causes – as we witnessed in Aceh until recently, and which remains a major problem in southern Thailand and the southern Philippines.

The path to modernity

But back in the Arab world, as well as in the Indian subcontinent, reformist advocates argued that the demands of reform in the path to modernity would warrant the adoption of democratic principles of governance. They too could cite scriptural authority to assert the sanctity of the majority vote. So the Western construct argument was rendered irrelevant. Traditionalists, on the other hand, led by Sayyid Qutb *et al* countered with even 'higher' scriptural authority: as I had referred to earlier, democracy was a usurpation of God's sovereignty and this can never be justified on any ground because this was tantamount to idolatry, which is the banner more radical Islamist groups such as the Hizb al-Tahrir proclaim. It was a matter of *tauhid* which gave Islam its distinctive feature of cohesion binding all Muslims within a universal *umma*.

It was further argued that the moral foundations of the *umma* would be undermined by this elevation of humanity over God's sovereignty. Coming back to Maududi, democracy claiming the absolute freedom of the people to legislate their own laws, and select governments accountable to their interest and ambitions. However, once the will of the majority is acknowledged as the ultimate source of law, chaos and corruption became an inevitable result. Maududi is adamant that whereas secularism detached people from the restraining bonds of religious morality, and nationalism made them intoxicated with arrogant selfishness, democracy opened the floodgates to uncontrollable acts of plunder, aggression and tyranny.[7]

The Islamic judiciary in the classical age was once summed up as judicial power delegated from the ruler without the avenue of appeal or the doctrine of judicial precedent. Though there is more than a grain of truth

in this, further analysis may be warranted. Classical jurisprudence *or usul al fiqh* tells us the broad theoretical formulations of the rule of law which establishes the concept of human rights notwithstanding, that it was not in the form as understood in modern democracy.

Likewise, there is the doctrine of separation of powers evidenced from the relationship between the ruler on the one hand and *'ulama, muftis* and *qadis,* on the other. But yet democracy or the rule of law became stillborn in Muslim societies not because of Islam but because of the meddling of politics or the consequence of the need for the perpetuation of power.

Many critics against Islamists may be barking up the wrong tree in their contention that resistance to political change is their trade mark. We have already noted that rulers in some of the most autocratic regimes in the Islamic world are secular despots who do not believe in sharing power. And even in more visibly Islamic countries, the principles of the religion have been arbitrarily employed to bolster authoritarian rule. In the process, Islam is given a bad name for it is neither Islam nor its culture which is the stumbling block to democracy and freedom but tyrants and despots hell bent on clinging on to power.

Rather than splitting hairs on the theoretical underpinnings of compatibility between democracy and Islam, for the Muslim world, a more productive and indeed a more pressing pursuit lies in finding how democracy and freedom can be translated into the public and private domains of Islamic law. Embracing democracy and freedom is not a repudiation of classical jurisprudence and is certainly not a conversion to Western values or ideals. It is, on the contrary, a reaffirmation of the universality of Islam. An Islam which is not the private domain of terrorists or die hard fundamentalist radicals.

Today, more than before, some powers in the Muslim world are seeking refuge, even thriving on their people's anti-Western and more particularly anti-American rhetoric in order to divert attention from domestic problems and to tighten their grip on power. Thus, anti-Americanism is transformed into a very effective device to bolster authoritarian rule. Democracy itself, or more correctly, the trappings of democracy, can be mere tools to legitimise tyranny. Under this kind of perverted democracy, human rights are denied, personal liberties are deprived without due process and judges are cowed into submission before the political masters.

As succinctly stated by Muhammad Iqbal, the structure of Islam embodies the principle of movement, and this is known as *Ijtihad*. Unlike the Mosaic tablets, the *Shari'ah* was never cast in stone and evolves continuously through this dynamic process. To talk of finality and absoluteness is therefore to deny the dynamism that is central to the *Shari'ah* itself. In order to maintain a middle ground, the essential ingredients of an Islamic methodology in the social sciences must then be conceived not in a unipolar, nor even bipolar, but a holistic perspective which will be universal and eternal in appeal.

Muslim social scientists must resolve the long-standing quandary brought about by the ideological rigidity of anti-modern neo-revivalism which remains the stumbling block to progress and reform. *Ash'arite* theology, in reacting to *Mu'tazilite* rationalism, was able to influence the outlook on history and distort the picture of Islam. This phenomenon suffices to dispel the notion of a monolithic Islam that seems to be a popular fixation among Orientalists of the past and clash proponents of the present.

Fazlur Rahman said some time ago that the assault of orthodoxy, among other things, caused Islamic intellectualism to remain truncated.[8] In this regard, Iqbal's Reconstruction as quoted earlier on the principle of movement in the structure of Islam, undoubtedly represented a *tour de force* in modern times, drawing sustenance from the primary sources and yet possessing an ecumenical sweep in its approach that would cut across cultural and geographical barriers. Yet, even though its articulation moved beyond tribal or parochial concerns, it was a creature of history born of the particular circumstances surrounding the collapse of empires and the final dissolution of the caliphate itself, and *ipso facto*, its structural elements remain period-bound.

Syed Naquib al-Attas made a commendable effort premised on the doctrine of *'deen'* as *tarbiyya, akhlaq and ta'dib*. His intellectual assault was trained on the proponents of secularism, who regarded its integral

components as the Weberian 'disenchantment of nature' and the 'deconsecration of values'. Secularisation is seen as the setting free of the world from religious blinkers, the dispelling of myths and sacred symbols, and with the 'desacralisation of politics', it purports to put the power of destiny back into man's hands. But al-Attas' target was not secularism *per se* but Christianity.[9]

Alas, today the thematic thrust would seem to have lost its edge because the Western challenge to Islam can no longer be seen as being solely cast in the Christian mould, though at one time it provided the *raison d'être* for mounting Islam's intellectual offensive. The late Ismail al-Faruqi expounded his now legendary doctrine of the Islamisation of knowledge as a comprehensive intellectual response to the challenge of modernity but the follow-through on his ideas has been uninspiring.[10]

The intra-civilisational clash

It was in the late 1970s that I encountered Bernard Lewis' 'Return to Islam' which was unabashedly suspicious of the Muslim worldview. Much as we are getting tired of mentioning it, the clash spectre seems to be the metaphor that appeals to the imagination of historians and political scientists. Many scholars have fallen into this quagmire. It would be well to accept that the discourse between Islam and the West is indeed subject to various predilections, civilisational clash being one, but all resulting views are essentially influenced by the enormous historical baggage that accompanies it.

The upshot is a clash of visions of history, perceptions, and images which in turn brings about differing and often opposing interpretations, not just of history, but world views. Muslim social scientists should disabuse themselves of this notion of the clash between civilisations and refocus their attentions on the clash that has been brewing within the *umma*.

We see a more dangerous and portentous clash as one that is intra-civilisational – between the old and the new, the weak and the strong, the moderates and the fundamentalists and between the modernists and the traditionalists. In recent times, over the dissonance of competing demands, Muslims are said to be caught between the centrifugal forces of modernity on the one hand, with its secularising and liberating tendencies, and centripetal forces of traditionalism on the other, with its predisposition to sacralise and control.

One approach out of this conundrum is to formulate a universal Islamic *weltanschauung* by expanding the Muslim intellectual vision, not just by raising his intellectual standards but by radically reorienting his mindset. This begs the question: What is the language of our discourse? Are Muslim intellectuals merely engaging themselves and running the risk of descending into a mutual admiration club? It is well and good that Muslims are able to articulate their views coherently in seminars and symposiums but are they doing enough to broaden the discourse to make it truly inclusive? This is a question that addresses the very role of Muslim social scientists themselves.

We could gloss over this historical perspective and consign it to the realm of academia on the ground that we are already in the 21st century. I have consistently cited Turkey and Indonesia as the best two examples of democracy in action among the most populous Muslim nations; there indeed is life after military dictatorships.

The impending accession of Turkey into the European Union, notwithstanding the obstacles on its path, is also a clear statement of the level of liberal democracy attained while in the race for democracy in south-east Asia, Indonesia has already reached the finishing line leaving its Muslim neighbours still stuck at the starting block. So one should hesitate to dismiss the historical perspective as merely academic, for indeed, varying interpretations may be given to these events as well as valuable lessons to be drawn.

Secularism, as we know, has many faces but the general Muslim perception is that secularism when imposed and dictated from the West is anti-religious as in the Turkish and French models. It is true that secularism has seen a major retreat in the West, if not already altogether *passé*. Nationalism, though not synonymous with secularism, used to be either its cause or effect in Europe but is all but dead now.

There is no doubt that the West is seeing a revival of spiritualism. Yet in the Muslim world, there still prevails the fear that the spirit of individual reason and free inquiry will undermine the *umma*, and not unlike the backlash of the Muslim Brotherhood era that we referred to earlier, this fear is compounded today by the activities of ultra liberal Muslims who profess an ideology even more secular than their Western counterparts. These new zealots brandish their cultural theology and advocate that Islam has little to offer as a guide to life in this globalised world, and that religious knowledge has resulted in a narrow Muslim vision of knowledge and is singularly responsible for the decline of the Islamic civilisation.

Under the weight of such incessant attacks, the resultant backlash in Muslim-predominant countries is renewed fundamentalism with an increasingly hostile face. Being no longer a response to colonial conquest or military confrontation, this neo-fundamentalism becomes a response to acculturation, exacerbating intra-societal tensions.[11] No doubt, to that extent and in that sense, democracy and Islam will continue to be viewed as unbridgeable.

With the exception of Turkey, the post-war experiments of Muslim countries with democratic institutions ended in unmitigated failure, instead returning to power-corrupt regimes of tyranny and repression. Recently though, some very promising developments have taken place, led no doubt by Indonesia. In the Middle East, the spread of democracy has gone beyond mere academic debate. Unfortunately, the United States' policy of ambivalence in the war on terror, supporting autocrats in the Muslim world on the one hand, and championing the cause of freedom and democracy on the other, has led to much disillusionment.

Why point the finger at the United States when we know that the Muslims themselves must also shoulder the blame? As Shaykh Muhammad al-Ghazali puts it, it is telling "to see how Muslims are treated in Muslim countries and under Muslim governments and how other countries, such as Israel or Britain or the United States for instance, treat their own citizens. Human life and the dignity of man appear to have a much lower value and command less respect in Muslim countries … it is difficult under current conditions, to see how Muslims can expect to earn God's support and fulfill their task as leaders of mankind."[12]

If democracy is about giving dignity to the human spirit, then freedom is the *sine qua non*. Within Islam, freedom is considered one of the higher objectives of the divine law in as much as the very same elements in a constitutional democracy become moral imperatives in Islam – freedom of conscience, freedom to speak out against tyranny, a call for reform and the right to property. The recent victories by Islamist radicals such as Hamas and Hizbollah have caused certain quarters to be alarmed about the future of democracy.

The gradual rise in support for the *Ikhwan Muslimin* (Muslim Brotherhood) in Egypt of late seems only to reinforce their fears. They say it means the hijack thesis is a real and imminent possibility, and that having gained victory via the one-person-one-vote process, democracy and freedom will then be abandoned. But we already know that most Muslim nations ruled by secular regimes are tyrannies and dictatorships of varying degrees on the one hand and autocratic regimes and sham democracies on the other.

Why do we need to look for the Islamist radicals as scapegoats? Just the other day, there was this great alarmist proclamation in the Western media about Hamas having declared Palestine as an Islamic state. To be brutally candid here, don't you think if indeed this so-called Islamic state has come about, who is really to blame? They came to power on a democracy ticket but the United States and much of the EU too decided to leave them in the lurch.

Undoubtedly, democracy and freedom are at the core of our discourse and acquire greater significance around the presence of substantial Muslim communities in the West, whose democratic institutions are under attack all in the name of the war on terror. 'National security' has now ominously taken on the hue of political persecution even in established democracies, and there are legitimate concerns to be addressed as we see the increasing tendencies to allow the erosion of fundamental liberties, not just because they are occurring in places with the presence of significant Muslim minorities, but because they should not be condoned anywhere.

I am convinced therefore that there are no foundational reasons as to why democracy should be opposed to Islam or *vice-versa*. Islam is universal, but if the notion of this universalism is to mean anything, it would require that its values of justice, compassion and tolerance be practiced everywhere. Just as we cannot remain blind to the injustice perpetrated in non-Muslim countries, we must also relate to the suffering of other minorities in Muslim countries. The heart of the Islamic message is a message of love and understanding, of compassion and tolerance and of peace. It tells us to strive for justice, fight oppression and oppose tyranny. It is democracy in its truest sense.

Endnotes

1. A. Maududi, *Political Theory of Islam*, Lahore, address delivered in 1939, pp.62-63.
2. Rifa'ah Rafi' (1289) *at-Tahtawi al-Murshid al-amin li'l-banat wa'l-banin*, Cairo, (1872-1873). See also Albert Hourani, (1983) *Arabic Thought in the Liberal Age,* 1798-1939, Cambridge: Cambridge University Press, Chapter 2, from which much of the material and insight on *Tahtawi* is drawn.
3. cf. the notion of *mujtama' madani* as advanced by 'Abduh and Sheikh Taha Jabir *al-Alwani's madrasah al-ra'y* of which I have commented at some length in my *Gelombang Kebangkitan Asia* (1997) Kuala Lumpur: Dewan Bahasa & Pustaka.
4. Syed Ameer Ali (1974) *The Spirit of Islam – A History of the Evolution and Ideals of Islam*, London: Chatto & Windus.
5. Taha Husayn (1938) *Mustaqbal al-thaqafa fi-Misr*, Cairo.
6. Sayyid Qutb Ma'alim fi-l-Tariq, *Milestones*, p.90, p.32.
7. A. Maududi (1979) *Islamic Way of Life, 11th edn*, Lahore: Islamic Publications, pp.38-40.
8. Ibid Rahman, *Islam and Modernity,* pp.3-4.
9. Syed Muhammad Naquib al-Attas (1993) I*slam and Secularism*, Kuala Lumpur: International Institute of Islamic Thought And Civilisation.
10. In this regard, see the thesis by Ismail al-Faruqi (1982) in his I*slamisation of Knowledge*, Herndon VA: IIIT, p.105.
11. See Oliver Roy (1996) *The Failure of Political Islam*, trs. Carol Volk, Harvard University Press, p.198.
12. Shaykh Muhammad al-Ghazali (2000) *A Thematic Commentary on the Qur'an* tr. Ashur A. Shamis, Herndon: International Institute of Islamic Thought, p.576.

II. The Asian economic and financial crisis ten years on

September 19 2007: The 1997 Asian financial crisis ushered in major political change in some of the worse-affected countries. It also prompted ASEAN to introduce a raft of measures to encourage greater regional integration to protect the organisation's members against future financial upsets – a process to which the EU is giving strong practical support. However, while the region is continuing to develop dynamically, it has not returned to pre-crisis levels of economic growth.

Event report

Zainal Aznam Mohd Yusof, Distinguished Fellow, Institute of Strategic and International Studies, Kuala Lumpur, Malaysia, focused on the effects of the 1997 financial crisis on the development of ASEAN, the Association of Southeast Asian Nations, with its ten member countries and 500 million people.

The Asian financial crisis originated in Thailand in mid-1997 after the country's lack of financial resources in the face of devaluation caused its currency (the baht) to "unwind". Its effects then spread throughout the region, with Malaysia, Indonesia, South Korea and Hong Kong hardest hit.

By the close of the crisis in 1998, three of the largest south-east Asian economies – Malaysia, Thailand and Indonesia – had introduced domestic financial measures to prevent it happening again, and ASEAN had set in place measures to encourage regional economic integration and strengthen the regional economy. These included reducing tariff barriers between members, establishing an ASEAN Free Trade Area (AFTA), and introducing a Common Effective Preferential Treatment (CEPT) scheme allowing ASEAN countries to integrate at different speeds, depending on their economic maturity.

ASEAN also introduced the ASEAN Investment Area (AIA) to liberalise rules for foreign direct investment (FDI) in goods (but not initially in services) and attract FDI into the region, as well as an accord on trade in services: the Framework Agreement on Services (AFAS). However, said Mr Yusof, the long-term success of all these measures has been mixed, not least because of competition from its strongest neighbour, China.

In addition, ASEAN launched two initiatives to promote greater regional financial integration. The first, the Chiang Mai Initiative (CMI), expanded financial "swap arrangements", so that countries under speculative attack could borrow foreign currency to stabilise their economy. The second, the Asian Bond Market Development Initiative (ABMI), was a long-term financing scheme to build up private sector investment and combat the risk of short-term debt, one of the causes of the 1997 crisis.

The growth of regional trading agreements and financial partnerships has been an important feature of post-crisis ASEAN. As well as bilateral agreements between countries, it has initiated the ASEAN-China Free Trade Agreement (FTA), the ASEAN-Japan FTA and the new ASEAN-EU FTA, among others.

An ASEAN Charter, which will make the organisation more rules-based and includes more social 'norms', is due to be signed in November, and there are also plans to set up an ASEAN Economic Community by 2015. This will establish a single market and production base, and focus on security, economic and socio-cultural areas.

Mr Yusof concluded that despite these measures, neither the pace nor depth of ASEAN economic integration and growth has been "spectacular". He also questioned whether the ASEAN method of reaching agreement by consensus could survive the proposed Charter. He foresaw that ASEAN might break up into a "two-speed" organisation, with the more developed countries opening up faster than the CLMV (Cambodia, Laos, Myanmar and Vietnam).

Indonesia – the decade of living dangerously

Yuli Ismartono, Executive Editor, *TEMPO, weekly news magazine*, Jakarta, focused on how the Asian economic crisis had forced through monumental political change in Indonesia.

She said that while the country had been hit financially by the crisis, it had benefited politically, and this had resulted in a decade of "living dangerously". After events in Thailand, the Indonesian economy went into "free fall", leading to demonstrations, a loss of public order and the ousting of President Suharto, who had ruled Indonesia for 32 years. This started a "revolution of political reforms".

His successor, President Habibie deregulated the media and prepared for the country's first free elections since 1955. However, the euphoria was shattered by events in East Timor, where after a United Nations referendum which voted for independence, government troops rampaged, killing 1,400 East Timorese.

In a surprise election result, the ageing Muslim cleric Abdurahman Wahid was chosen as Indonesian President, but he was impeached for corruption just two years later and Megawati Sukarnoputri, daughter of the first president, Sukarno, succeeded him. Since then, the country has seen three major reforms which have consolidated democracy: electoral reform, decentralisation of government authority and freedom of the press.

Elections have been introduced at all levels, and the national legislature has also been restructured to provide an upper and lower house. The country now has a multi-party system, replacing Suharto's single party (*Golkar*) rule, but while elections have been peaceful and fair, the armed forces still retain considerable influence, particularly in the regions.

New autonomy laws have substantially decentralised government authority, delegating the delivery of public services to local authorities and strengthening the role of regional legislators, but central government retains control over finance, religion, defence and foreign policies. The provinces have "bloomed" under these new laws, said Ms Ismartono.

The new press law passed in 1998 ushered in unprecedented media freedom. With the need for publishing permits scrapped, 700 new publications, 1,000 radio stations and 11 national television stations have been launched. However, these still operate under restrictions, with huge fines levied for defamation, and journalists' mobile phones are still tapped. This, said Ms Ismartono, was the result of "the old mind-set prevailing" during the 'work in progress' of building a democratic system.

Nevertheless, the pace of reform continues unabated, with a vibrant civil society and more respect for human rights. "Revolution in Indonesia's political system is the story of the decade," she said.

Changing the old "mindsets"

Seamus Gillespie, Head of Unit, South-East Asia Desk, Directorate-General for External Relations, European Commission, said the considerable change in south-east Asia over the last ten years provided a good basis for further development.

The changes in the region were not only the result of the financial crisis. It was now in a transitional phase, with huge reductions in poverty giving ordinary people more hope of a better life. Unfortunately, however, some of the old "mind-sets" remain, with the military "still there" in the background.

Mr Gillespie pointed out that increasing wealth had led to growing inequalities, even in countries with a socialist government like Vietnam, and these needed to be tackled. One reason for this was the weak administration, and poorly-performing and badly-coordinated public ministries and policies.

While countries such as Indonesia are working to improve their investment structure, making major fiscal reforms and increasing competitiveness to attract back foreign investment, Mr Gillespie wondered

whether this would be "carried through". He also warned that the move from middle-income to high-income countries needed to be properly managed.

The financial crisis had laid down a challenge to the EU, he said, as it showed that the Union had not been paying enough attention to developments in the region. The current European Commission has remedied this, building strong political contacts and engagement, as evidenced by the successful ASEAN-EU Aceh Monitoring Mission and the ASEAN-EU Foreign Ministers meeting in March this year.

The EU believes that greater integration in the region will help ASEAN to tackle economic and political challenges, and is supporting efforts to promote this, even though this is not "the panacea" for all the region's ills. Mr Gillespie said greater integration would also give ASEAN countries more political clout in international fora such as the World Trade Organization, as the EU itself had found.

The Commission is building up common passport and customs procedures with ASEAN, and concentrating on proposals (such as the creation of an ASEAN-EU FTA) which support integration. It is also supporting ASEAN initiatives to promote greater monetary cooperation and stimulate markets in bonds in ASEAN currencies.

Discussion

Asked what financial lessons could be learned from the 1997 crisis, Mr Yusof said it had resulted from internal macro-economic policies rather than cross-border issues. ASEAN cooperation, such as the proposed bond market, would ease the debt problem but would not solve it altogether.

Mr Gillespie believed European experience showed there was room for regional solidarity: when an individual EU Member State has economic problems, it can apply for finance on the basis of a macro-economic programme. However, as the current international mortgage problems have demonstrated, a strong global approach is also needed.

Questioned about ASEAN's relationship with China, Mr Yusof said there were already "templates" for managing competition with China and lowering tariff barriers, through the FTAs. Mr Gillespie felt ASEAN was doing well in relation to its "big neighbours" in the region, but this might change if China and Japan decided to work more closely together economically.

Asked whether all the countries in the region had really recovered from the financial crisis, Ms Ismartono did not believe they had returned to pre-crisis levels, as some, such as Indonesia, had difficulty in encouraging back all the FDI they had lost. The country's social programmes had suffered most and must be rebuilt. Mr Yusof agreed, saying that growth in the region would be in the realm of 6%, whereas before the crisis it had been up to 10%. He added that one could not avoid capitalism's 'booms and busts'.

Keynote speech: ASEAN – ten years after the financial crisis

By Zainal Aznam Mohd Yusof, Distinguished Fellow, Institute of Strategic and International Studies, Kuala Lumpur, Malaysia

Introduction

The recent concern with the financial turmoil arising from the effects of the US sub prime mortgage problems has increased uncertainties and dented sentiments on the growth prospects of the world economy. Krugman (2007) has emphasised that "rising homeownership is now revealed as the result of a bubble inflated in part by financial flim-flam, which deceived both borrowers and investors".

It also, once again, has raised the profile of the south-east Asia economies and their ability to withstand the adverse repercussions from the financial turmoil after undergoing a severe financial crisis in 1997-1998. Although the full extent of the impact of the sub prime mortgage problems, particularly on the nature, extent and dispersion of risks, on the economies of south-east Asia, collectively known as the Association of Southeast Asian Nations or ASEAN, have yet to be assessed, the initial impact has not been that deep when compared to the effects of 1997-1998 financial crisis.

There has been talk about the "decoupling" of the region from the American economy and that is one likely reason why the impact of the sub prime mortgage has not been that extensive and deep. Asian banks and financial institutions have not been seriously exposed to the US sub prime mortgage crisis. Also, over the past ten years since the financial crisis, ASEAN has undergone changes and these changes, although they vary from country to country, have enabled them to better withstand the shocks from outside the region.

This paper assesses the changes that have occurred in ASEAN over the last ten years but it will only highlight the key features of the changes. It will focus on the economic aspects of ASEAN. The changes that will be summarised will begin from the 1997-1998 financial crisis, changes that were introduced because of the financial crisis. The more recent changes leading up to the ASEAN Charter and the ASEAN Economic Community (AEC) will also be included in this paper. ASEAN has made some strides but it still has internal problems that it will have to be resolved, and while the pace of changes appear to be slow it is, nevertheless, moving in the right direction.

ASEAN background – from security to economic cooperation

The idea of ASEAN emerged in the aftermath of the Vietnam War in the 1960s. ASEAN was formed in 1967, initially for security reasons and specifically after the fallout of the Vietnam War, to bind, forge and to promote co-operation around security. ASEAN has succeeded in maintaining regional peace which has helped the region to grow; economic growth was high over the period 1970-1993.

Membership of ASEAN has expanded and Laos and Myanmar were admitted into ASEAN at the 30th ASEAN Ministerial Meeting (AMM) in Kuala Lumpur in July 1997. With ten members ASEAN now has a 'population' of about 500 million.

In the early 1970s interest increased in intensifying the integration of ASEAN along the European model. ASEAN initiated the first dialogue with the EEC and the European Commission in Brussels and that was followed by dialogues with other countries. An ASEAN-Brussels Committee was established to handle relations with Europe (Kartadjoemera, 2001).

It was only in the early 1990s that the idea of a free trade area was pursued by ASEAN. There were suggestions for setting up a customs union but such a union with common external tariffs would have had to be set at the higher tariff level of either Indonesia, the Philippine or Thailand, rather than the low tariff of Singapore.

The impetus to form a free trade area gained momentum after the conclusion of the Uruguay Round negotiations. ASEAN member countries in the late 1980s to mid-1990s were involved in the GATT and the Uruguay Round negotiations and tariffs were reduced, a range of ASEAN tariffs was bound, non-tariffs were liberalised and ASEAN agreed to some binding commitments in services to be applied on a Most Favoured Nation (MFN) basis.

At the ASEAN Summit in January 1992, and in the Singapore Declaration, it was agreed that an ASEAN Free Trade Area (AFTA) would be established. A Common Effective Preferential Treatment (CEPT) scheme was also introduced with separate lists for the inclusion or exclusion of goods.

While AFTA covered the trade in goods' side of integration, attention subsequently turned to services. In December 1995 the ASEAN economic ministers signed the ASEAN Framework Agreement on Services (AFAS).

The aim of AFAS was to enhance co-operation in services, eliminate restrictions to trade in services and to liberalise trade in services.

A 'positive list' approach was adopted for the negotiation of liberalisation of services. Rules for mutual recognition, dispute settlements, institutional mechanisms and other areas of co-operation in services were also included under AFAS. Additional guidelines and targets were then included for AFAS: at the 37th ASEAN Economic Ministers (AEM) Meeting in Vientiane in September 2005 the liberalisation of services was re-affirmed and it was agreed that 2015 would be the target date for this to be completed.

The ASEAN Investment Area (AIA) was introduced in October 1998 and was designed to enhance the process of foreign direct investment (FDI) policy liberalisation. The three programme pillars of the AIA are (i) co-operation and facilitation, (ii) promotion and awareness, and (iii) liberalisation.

These programmes have been implemented through individual and collective actions with the targeted schedule and timetable. Industries are to be opened up for National Treatment and the Most Favoured National Treatment subject to certain conditions. Each Member is to submit a Temporary Exclusion List (TEL) and a Sensitive List for Industries where it is unable to open up or accord national treatment to ASEAN investors. The TEL is to be phased out by 2010. Vietnam will phase out the List by 2013 and Laos and Myanmar by 2015.

There are other specific ASEAN programmes of cooperation and activities covering a wide range of areas. These programmes include the ASEAN Industrial Cooperation (AICO), in energy (ASEAN Power Grid and Trans-ASEAN Gas Pipeline), ASEAN Surveillance Report, cooperation programmes in insurance and customs, involvement in East Asia Emergency Rice Reserve, ASEAN Food Security Information System, ASEAN Intellectual Property Rights Action Plan, ASEAN Minerals Cooperation Action Plan, harmonisation of statistics, telecommunications and information technology and the ASEAN Transport Action Plan 2005-2010.

Asian financial crisis and ASEAN

The Asian financial crisis of 1997-1998 had far-reaching effects on the economies of ASEAN. Thailand, Indonesia and Malaysia were the most affected compared to Singapore and the Philippines. Beyond ASEAN South Korea and Hong Kong were the two economies that were affected by the financial crisis. The Asian financial crisis started in Thailand in 1997 and it has been recognised that a number of factors contributed to the crisis (Sussangkarn and Vichyanond, 2006, Asian Development Bank, 1999).

The Thai economy for the two decades prior to 1997 had been growing rapidly, registering a real GDP growth rate of 7.7% *per annum*, especially with the rapid growth after 1985; growth averaged about 9.5% *per annum* between 1985 and 1995.

There were sizable FDI inflows over this period. Financial liberalisation measures were introduced and foreign exchange controls on current account transactions were lifted, and most restrictions on the capital account were lifted in April 1991 and a third in February 1994. To develop Bangkok into an international financial centre the Bangkok International Banking Facilities (BIBF) were established in March 1993 with the granting of some tax privileges.

As a result of these liberalisation measures there were large inflows of external capital into Thailand and net capital inflows averaged 10% of GDP over the 1990-1996 period creating an investment and real estate bubble. The outstanding external debt increased rapidly from $29 billion in 1990 to $108.7 billion in 1996 and short-term debt increased rapidly ($47.7 billion in 1996) larger than the foreign reserves ($38.7 billion). Borrowings from the foreign banks tended to be short-term. There was a rapid increase in credit lending by the commercial banks and the central bank assisted ailing financial institutions.

The baht was under a fixed exchange rate system and market sentiments turned against it by end-1996 and pressure for devaluation increased. The Central Bank defended the baht and by mid-1997 almost all

of its reserves had been used to defend the baht and by then Thailand had become insolvent i.e. it did not have sufficient foreign currency to meet its foreign currency obligations.

The baht was floated on 2 July 1997 and Thailand sought the assistance of the International Monetary Fund (IMF). The exchange rate depreciated from about 25.8 baht per US dollar at end-June 1997 to 53.8 baht per US dollar by end-January 1998, then stabilised with the 1998 recession; the baht in 1998 had depreciated by 38% compared to its pre-crisis level.

The contagion from Thailand spread to Indonesia, Malaysia and South Korea. Almost similar macro-economic policies were adopted in these economies, especially maintaining the pegged-exchange-rate regimes and they had, in varying degrees, weaknesses in the financial and corporate sectors, with large short-term foreign debts and weak corporate governance. Thailand, South Korea and Indonesia had a high ratio of short-term foreign debt to foreign reserves, more than 100%, with Singapore and Malaysia having the lowest ratio (Table 1).

Table 1: Ratio of short-term foreign debt to official reserves (%)

	1990	1991	1992	1993	1994	1995	1996
China	30.8	24.3	64.8	66.5	32.6	29.4	23.6
Hong Kong	23.4	21.7	18.2	17.2	16.4	16.4	22.2
India	164.7	104.1	73.2	26.8	18.5	23.4	28.3
Indonesia	130.7	139.7	158.5	145.6	147.4	175.6	167.2
Malaysia	19.3	18.8	21.0	25.4	24.2	30.4	40.8
Philippines	216.2	109.2	98.5	85.0	80.3	67.9	67.9
Singapore	2.7	2.7	2.3	2.0	1.7	1.5	2.6
South Korea	72.9	81.6	69.5	60.2	123.1	142.5	195.4
Taiwan	20.0	18.9	19.6	21.8	20.3	20.4	20.1
Thailand	58.3	67.8	69.5	89.0	96.4	119.4	110.3

Source: Asian Development Bank (2001)

The programme of IMF assistance for the three countries involved fiscal and monetary tightening, structural reforms of the financial and real sectors, raising prudential standards, improved governance and privatisation. The foreign exchange liquidity support for Thailand amounted to $17.2 billion, $49.7 billion for Indonesia and $58.4 billion for South Korea. Malaysia did not seek IMF support and adopted the heterodox approach of imposing capital controls, and it pegged its exchange rate at RM3.80 to one US dollar on 2 September 1998. Malaysia unpegged its currency to the US dollar in 2005.

ASEAN-post financial crisis

There has been a substantial amount of attention given to the experience of the ASEAN member countries following the financial crisis of 1997-1998. What has been the outcome after ten years of the financial crisis? Attention here will be given to the macro-economic outcomes and to the new developments within ASEAN as well as to its future outlook following the financial crisis. Thailand, Indonesia and Malaysia, the three countries most affected by the financial crisis have recovered, but there is still some controversy as to the role and impact of the IMF package in the recovery of the three economies and, for comparative purposes, to South Korea.

Malaysia's capital controls have attracted special attention and the consensus is that capital controls did not damage the economy and helped recovery (Abidin, 2002, Tourres, 2003 and Athukorala, 2001). In assessing the outcome after ten years since the crisis it should be borne in mind that the growth of these economies in the period after 1997-1998 has also been adversely affected by the September 11 terrorist attack in the US and from the SARS fallout.

South-east Asia as a group suffered a contraction in GDP growth of 6.8% in 1998. The economies of Indonesia (-13.1%), Thailand (-10.5%) and Malaysia (-7.4%) all experienced a growth contraction in 1998. Growth recovered for the region by 1999 (Table 2). After experiencing sharp contractions in economic growth in 1998 and slower growth after the crisis the three most affected economies have recovered. *Per capita* GDP recorded positive growth rates after 1999 but Malaysia and Singapore recorded a decline in 2001. In recent years overall ASEAN countries have recorded higher growth rates in the range of 5-6% *per annum*.

Table 2: Growth, current account and international reserves in south-east Asia

Growth Rate of GDP (% per year)

	1998	1999	2000	2001	2002	2003	2004	2005
Cambodia	3.7	10.8	7.0	5.7	5.5	5.0	5.4	5.4
Indonesia	-13.1	0.8	4.9	3.5	3.7	4.1	4.5	4.5
Laos	4.0	7.3	5.8	5.8	5.9	5.9	6.0	6.2
Malaysia	-7.4	6.1	8.5	0.3	4.1	5.2	5.8	5.6
Myanmar	5.8	10.9	13.7	11.3	10.0	10.6	-	-
Philippines	-0.6	3.4	4.4	3.0	4.4	4.5	5.0	5.0
Singapore	-0.9	6.5	10.1	-1.9	2.2	1.1	5.6	4.8
Thailand	-10.5	4.4	4.8	2.1	5.4	6.7	7.2	6.2
Vietnam	4.4	4.7	6.1	5.8	6.4	7.1	7.5	7.6

Current Account Balance ($ million)

	1998	1999	2000	2001	2002	2003	2004	2005
Cambodia	-175	-188	-135	-86	-64	-163	-185	-245
Indonesia	4,097	5,783	7,991	6,900	7,822	7,709	7,535	7,331
Laos	-130	-145	-124	-79	-40	-51	-52	-50
Malaysia	9,532	12,604	8,487	7,286	7,190	13,381	12,500	10,500
Myanmar	-578	-468	-115	-102	-	-	-	-
Philippines	1,546	7,219	6,258	1,323	4,383	3,347	2,500	2,500
Singapore	18,583	15,284	13,246	16,104	18,873	28,186	33,861	34,181
Thailand	14,291	12,466	9,328	6,205	7,008	7,975	6,565	7,230
Vietnam	-1,239	1,154	505	475	-950	-2,101	-2,216	-2,393

Gross International Reserves ($ million)

	1998	1999	2000	2001	2002	2003
Cambodia	390	422	484	548	663	737
Indonesia	23,762	27,054	29,394	28,016	32,037	36,246
Laos	112	106	141	133	196	216
Malaysia	25,348	30,859	29,886	30,848	34,583	44,862
Myanmar	329	280	201	454	542	-
Philippines	10,806	15,107	15,024	15,658	16,180	16,866
Singapore	75,028	77,176	80,362	75,800	82,276	96,324
Thailand	29,536	34,781	32,661	33,048	38,924	42,148
Vietnam	1,995	2,947	2,831	3,540	3,815	4,661

Source: Asian Development Bank (2004)

The current account balance of the south-east Asian economies has been positive since 1998 and has been on the rise. The international reserves of all countries in ASEAN have also been increasing, following economic recovery with Singapore, Malaysia and Indonesia recording the largest amount of international reserves.

The ASEAN member countries have, since the financial crisis, been pushing ahead with various reforms to their economies, either on their own or, as will be shown below, through ASEAN as a group. Liberalisation measures have been implemented, but at different speeds, while the strengthening of the banking and financial system has gained momentum. Corporate governance has been strengthened and transparency has been improved.

AFTA and integration through trade

AFTA through the Common Effective Preferential Treatment (CEPF) is the regime for trade integration. Although the financial crisis had slowed down economic growth and international trade, progress has been made in integration through trade since 1997-1998. The thrust of integration is to increase intra-ASEAN trade as well as extra-ASEAN trade.

The ASEAN 6 group of countries have accounted for most of the share and growth in trade. Tariff levels have fallen. Trade integration has not increased significantly; in 1996 just before the financial crisis intra-ASEAN trade was about 24% of total ASEAN trade and by 2000 it remained at about the same level and it has increased to about 26% by 2006. If integration is measured using trade as a share of GDP, the results are better for ASEAN, with Singapore's intra-ASEAN trade recording the highest and the lowest was for Cambodia (4% in 2000).

ASEAN's CEPT scheme allows intra-ASEAN imports to face lower tariffs than imports from the rest of the world. Import items are placed on the three lists i.e. inclusion, temporary inclusion, general exclusion and sensitive. For ASEAN 6 and Vietnam, almost 99% of their tariff lines have been included in the inclusion list with low inclusion for Cambodia, Laos and Myanmar. The CLMV (Cambodia, Laos, Myanmar and Vietnam) countries accounted for a small but rising share of total intra-ASEAN exports.

Trade barriers to intra-ASEAN trade have been falling, faster for the ASEAN 6, since 1992. For ASEAN 6 the target is to remove all import duties by 2010 and with some flexibility, 2015 for the CLMV members. The estimate is that as at January 2005 tariffs on about 99% of the products in the CEPT Inclusion List (IL) of the ASEAN 6 have been reduced to the 0-5% tariff range.

The CEPT average tariff rate for ASEAN 6 under the CEPT scheme is now about 1.9%, from 12.8% in 1993. For the CLMV tariffs on 81% of the items in the IL have been reduced to the 0.5% band. The CLMV has been given longer deadlines to reduce their tariffs for products in the IL to 0-5% level: Vietnam in 2006, Laos and Myanmar in 2008 and Cambodia in 2010.

AIA and integration through FDI flows

As part of the integration thrust of ASEAN through FDI, the AIA was designed to promote intra-ASEAN as well as extra-ASEAN FDI by reducing restrictions on FDI flows to the region. AIA works through a 'negative list' approach. An assessment of the impact of the AIA on FDI flows would have to take into account that it was launched in 1998 when ASEAN was still in the midst of the financial crisis (USAID, 2007).

The AIA, with the exception of services incidental to manufacturing, also excluded services from its purview. The more recent trends in FDI flows into ASEAN since the financial crisis have been discouraging. Global FDI flows to the developed countries have been increasing.

FDI flows into ASEAN since 1997 have been declining, arising from the financial crisis and with the strong competition from China in attracting FDI flows. FDI flows into ASEAN, as a proportion of total world

inflows, amounted to 4% which is about half compared to a decade ago. There has been a concentration in FDI inflows, with Singapore accounting for about half of the total FDI inflows into ASEAN.

In 2000 following the financial crisis and the strong competition from China and India, the AIA Council decided to accelerate the phase-out date of the temporary exclusion list (TEL) for the manufacturing sector: ASEAN 6 and Myanmar will be phased out by 2003 and 2010 for Cambodia, Laos and Vietnam. For agriculture, fishery, forestry and mining, the phase-out will be 2010 for ASEAN 6 and Cambodia, 2013 for Vietnam and 2015 for Laos and Myanmar.

It was also decided to shorten the ending date for non-ASEAN investors from 2020 to 2010 for ASEAN 6, 2015 for Cambodia, Laos and Vietnam and 2020 for Myanmar. In 2003 at the sixth AIA Council meeting it was decided that the drafting of the Protocol to shorten the end dates for non-ASEAN investors will be delayed because of negotiations with Dialogue Partners.

Over the 1990-2005 period total FDI cumulatively reached $284.2 billion and intra-ASEAN FDI reached $32.5 billion or 11.4% of the total FDI flows. On average, over the period 1999-2005 FDI inflows into ASEAN into manufacturing accounted for about 30% ($50.8 billion) of total FDI inflows ($169.3 billion) and agriculture 0.7% ($1.2 billion) over the same period. Services which are excluded from the AIA attracted about 60.7% of total FDI inflows.

There are sizable imbalances in FDI inflows within ASEAN. Indonesia, Malaysia, Singapore, Thailand and Philippines accounted for about 91.3% of the total FDI flows into ASEAN over the 1995-2005 period with half going to Singapore. The CLMV countries, therefore, attracted only about 8.7% of the total FDI inflows. Vietnam, among the CLMV group, attracted slightly less than three-quarters (73.2%) of the total FDI flows to the CLMV group. The financial crisis did not seem to have severely affected FDI inflows into the CLMV group when compared to the pre-crisis period (1995-1997).

ASEAN integration through trade in services

The services sector takes a bigger share of GDP in all ASEAN member countries but tends to be more protected than the goods sector. The liberalisation of services is governed by AFAS, signed by the economic ministers in December 1995 just as goods come under AFTA and capital under AIA. The original objectives of AFAS were supplemented by the agreement that was struck at the 37th ASEAN Economic Ministers (AEM) meeting in Vientiane in September 2005 which reaffirmed their commitment to liberalise trade in services to be in line with the vision of an ASEAN Economic Community.

The AEM also agreed that 2015 would be the end date for the liberalisation of services but granting some flexibility to some sectors. At the same time the Vientiane Action Program is the plan for the integration of services for the 2004-2010 period and out of the 11 priority sectors four are services i.e. air travel, e-ASEAN (ICT), healthcare and tourism. AFAS' aim is to improve market access and grant national treatment to services providers in ASEAN in the four modes of supply i.e. Mode 1 for cross-border supply, Mode 2 for consumption abroad, Mode 3 for commercial presence and Mode 4 for movement of natural persons.

What has been the progress in the liberalisation of services? Up to 2006 successive rounds of negotiations have been concluded and the fourth round was to have been completed by end-2006. The fourth round covered services mentioned earlier as well as recreational, cultural and sporting services, distribution services, educational services and environmental services.

The packages with commitments from each ASEAN member country cover air transport, business services, construction, financial services, maritime transport, telecommunication and tourism. Logistics services have been included as a priority sector. An ASEAN approach has been adopted which allows two or more countries to agree on liberalisation commitments allowing the other countries to become a party to the agreement at a future date.

An assessment of AFAS has shown that while there has been progress in liberalising services the achievements have not been impressive and rather mixed (Thanh and Bartlett, 2006). Overall, under AFAS there has been an improvement in liberalisation compared to the WTO schedules. The commitments for liberalisation when compared to the GATS agreements vary between countries, some ASEAN member countries gained more and some less from AFAS. For Singapore, Vietnam, Cambodia, Malaysia and Thailand, for example, the extra coverage under AFAS was limited.

ASEAN financial integration

An important initiative of ASEAN following the financial crisis were the efforts to find ways to prevent the occurrence of crises and cope with future financial crises through regional co-operation in the financial area among member countries. Financial reforms to liberalise and open up financial markets supplemented by better corporate governance and risk management were initiated after the 1997-1998 crisis.

Generally the financial system in the region was weak, lacked an early warning system and inadequate co-operation in the financial area (Sussangkarn and Vichyanond, 2006; Park, 2006; and Manupipatpong, 2002). ASEAN with other East Asian countries then launched the Chiang Mai Initiative (CMI) and the Asian Bond Market Development Initiative (ABMI).

The US opposition to the Asian Monetary Fund proposal led to the setting up of the CMI. ASEAN invited China, Korea and Japan, and the ASEAN+3 Summit in November 1999 released a Joint Statement of East Asian Cooperation. The financial ministers of ASEAN+3 meeting in Chiang Mai in May 2000 agreed to implement a liquidity support system incorporating bilateral swap arrangements (BSAs) known as the 'Chiang Mai Initiative' (CMI). Another initiative was the setting up of the Asian Bond Market Development Initiative (ABMI)

The CMI was designed to expand the existing ASEAN Swap Arrangement for foreign reserves by increasing the size of swap arrangements and also to create bilateral swap arrangements (BSAs) between ASEAN member countries and the '+3' countries. The basis of the arrangements is that a country under speculative attack can borrow foreign currency from another country and use the funds to stabilise the exchange rate.

The funds under the ASA and 10% that are sourced from BSAs are unconditional i.e. they need not be linked to any IMF programme. ASEAN+3 has increased the CMI by raising the size of the swap arrangements and the unconditional swap value to 20%. The value of the swap arrangements by 2005 had reached $58.5 billion. It has been stressed that the value of the swap arrangements is small and needs to be increased.

The initiative to develop an ASEAN bond market is based on the premise that lack of access to long-term financing contributed to the expansion of short-term debt before the crisis. As East Asian countries as a group had surplus savings, there was a need to develop the long-term capital market by fostering the growth of the bond market to allow companies to have access to long-term financing. The pre-crisis bond market in the region was thin. After the crisis, with the governments running budget deficits, the market for government bonds is deeper and large private corporations have also issued long-term debt instruments.

The ASEAN+3 Asian Bond Market Initiative and the development of the Asian Bond Fund by the 11 central banks of Australia, China, Hong Kong SAR, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore and Thailand, have been the two initiatives to develop a region-wide capital market through the Executive Meeting of East Asia-Pacific. Two bond funds have been launched; the US$1 billion Asian Bond Fund 1 (ABF1) in June 2000 and the $2 billion Asian Bond Fund 2 (ABF2).

The ABF1 has been sourced from the reserves of the EMEAP central banks and invested in liquid US-dollar bonds issued by sovereign and quasi-sovereign issuers in the Asian economies and the ABF2 is also limited to sovereign and quasi-sovereign bonds. Both funds are small, which does not lead to a channelling of funds to the private sector and the development of regional market for local-currency bonds.

Growth of free trade agreements, the Charter and the ASEAN Economic Community

Since the financial crisis ASEAN has seen the growth of regional trading agreements (RTAs) and comprehensive economic partnerships (CEPs) (Chia, 2007). ASEAN will also be formulating an ASEAN Charter and the pursuit of an ASEAN Economic Community (AEC) by 2015. Many of the ASEAN member countries, with Singapore taking the early lead, have been pursuing FTAs.

The free trade agreements (FTAs) have been concluded either bilaterally or collectively through ASEAN. Part of the motivation for pursuing FTAs has to do with the perceived failures of the WTO and the Doha Development Round. The CEPs tend to be 'free trade agreement (FTA) plus'.

Individually Singapore, Thailand and Malaysia have concluded a number of FTAs or are in the process of negotiating FTAs. Since the financial crisis ASEAN has initiated the ASEAN-China FTA and with Japan the Japan-ASEAN Economic Partnership Agreement and an FTA with South Korea as well as with Australia, New Zealand and India.

The ASEAN-China FTA agreement on goods was signed in 2004 and implemented in 2005 and negotiations on services and investment are to be completed soon. The ASEAN-Korea trade agreement in goods was signed in April 2006 while the ASEAN-Japan agreement is still being negotiated. Negotiations have commenced for an ASEAN-EU FTA.

ASEAN has also extended the scope of co-operation by engaging the East Asian countries. Dialogues and agreements have been concluded under the ASEAN+3 approach which comprises the ASEAN 10, China, Japan and South Korea, and which was initiated in 2001 (Chia, 2007). It was agreed at the ASEAN+3 Economic Ministers Meeting in 2004 that the Joint Expert Group for Feasibility Study on East Asian Free Trade Area (EAFTA), be established.

Its report was submitted in July 2006 and recommended that the ASEAN+3 framework to start the negotiations for East Asia Free Trade Area (EAFTA) in 2009, complete negotiations by 2011 and for the realisation of EAFTA by 2016 and 2020 for CLMV countries.

In early 2006 Japan made a proposal for an ASEAN+6 Comprehensive Economic Partnership Arrangement which will comprise ASEAN+3, India, Australia and New Zealand. It would appear that ASEAN is placing priority on the integration of ASEAN and the realisation of the EAC by 2015 and on the various ASEAN+1 negotiations and then on ASEAN+3 and ASEAN+6.

ASEAN is to have its Charter and it is expected to be signed by the ASEAN Leaders at their Summit in Singapore in November 2007. The draft Charter which would make it a more rule-based organisation includes terms such as the protection of human rights, setting up a human rights commission, consular help for ASEAN citizens with immigration problems and empowering ASEAN leaders to make decisions unconstrained by the ASEAN consensus.

At the leaders' Summit in January in Cebu, the Philippines, the leaders had agreed to the Charter. The Eminent Persons Group (EPG) had worked on the initial ideas for the Charter and it had proposed the establishment of an ASEAN Parliament and ASEAN Court of Justice.

A High Level Task Force then worked on the EPG draft and it has been indicated that the draft was watered down. A final version of the Charter is to be submitted to the foreign ministers in September 2007. The rule-based Charter is expected to strengthen its institutions, empower the ASEAN secretariat and increase its resources and the secretary general is to be assisted by four deputy secretaries-general.

ASEAN in November 2007 will also be signing an economic blueprint for the establishment of the ASEAN Economic Community by 2015. It will set up goals and targets for a single ASEAN market and production base where there is free flow of goods, services and skilled labour and a freer flow of capital. The AEC is

expected to focus on security, economic and socio-cultural areas. An AEC can be envisaged as a FTA that could include some elements of a common market. A clearer idea of what constitutes an AEC is required so that a more rigorous assessment can be made of its progress in the years ahead.

Conclusion

The Association of Southeast Asian Nations (ASEAN) appears to be on the move again. Before the end of the year the ASEAN Charter and the blueprint for the ASEAN Economic Community (AEC) will be launched. Much is expected from the new documents which are designed to inject a fresh force and guide the next phase of integration and co-operation in ASEAN.

Despite the glitter of 40 years of ASEAN co-operation, the pace and depth of ASEAN economic integration has not been spectacular, and the future course of integration will continue to be less than spectacular if no major breakthroughs are made to reform the 'ASEAN way', and in accelerating the pace, width and depth of ASEAN integration.

There are broader and persistent issues which will impinge on the nature and pace of ASEAN integration in the years ahead and these relate to global and regional competition, structural changes in the pattern of trade and FDI flows, growth of free trade agreements (FTAs), and intra-ASEAN economic disparities.

The intensity of competition will no doubt increase. Competition from China, India and other emerging economies will intensify. Falling FDI inflows into ASEAN in recent years has been worrisome and China has been attracting sizable FDI flows, with some companies in the region relocating to China. Global and regional production networks will continue to exert influence on the flows of trade and FDI into ASEAN and this has been reflected in the growth and rising trend in intra-industry trade in East Asia.

Meanwhile bilateral FTAs involving member countries have been growing. The proliferation of such FTAs can complicate efforts to form wider agreements because of inconsistency in coverage and in rules of origins. It looks likely that extra-ASEAN integration will become stronger. Intra-ASEAN economic disparities between the CLMV countries and the other member countries are still wide, so a 'two-speed ASEAN', with a faster opening up for more developed and a late and slower speed for the CLMV countries, could exacerbate disparities.

References

Mahani Zainal Abidin (2002) *Rewriting the Rules The Malaysian Crisis Management Model*, Kuala Lumpur: Prentice Hall.
Asian Development Bank (2001) *Key Indicators*, Manila: Asian Development Bank.
Asian Development Bank (2004) *Asian Development Outlook 2004*, Hong Kong: Oxford University Press.
Prema-Chandra Athukorala (2001) *Crisis and Recovery in Malaysia The Role of Capital Controls*, Cheltenham: Edward Elgar.
Mardi Dungey and Vance L. Martin (2006) 'Correlation, Contagion, and Asian Evidence', *Asian Economic Papers*, Vol.5, 2 November.
Chalongphob Sussangkarn and Pakorn Vichyanond (2006) 'Directions of East Asian Regional Financial Cooperation', *Asian Economic Papers*, Vol.5, No.3.
Vo Tri Thanh and Paul Bartlett (2006) 'Ten Years of ASEAN Framework Agreement on Services (AFAS) An Assessment', *REPSF Project* No.05/004.
Marie-Aimee Tourres (2003) *The Tragedy That Didn't Happen*, Kuala Lumpur: Institute of Strategic and International Studies (ISIS) Malaysia.

III. Political instability in Pakistan: global and regional fall-out

October 30 2007: Pakistan needs to return to democracy and the military must return to barracks if the country is ever going to achieve long-lasting stability. Although the country risks becoming a failed state, there have been positive moves recently, with the growing independence of the judiciary and a rejuvenated civil society. The EU is "intensifying its dialogue" with Pakistan, and is ready to provide support for the democratisation process.

Event report

Retired Lieutenant-General Talat Masood, a Pakistani military and political analyst, said the country could move in the right direction if the international community "embraced" it; otherwise it might descend "into chaos".

Although the presidential elections which returned President Musharraf to power in October 2007 were highly controversial, because he was re-elected by the national and provisional parliaments which had "outlived their usefulness" and because military officials are ineligible for the presidency, it is unlikely that the Supreme Court will overturn the results.

As part of the power-sharing deal the President has entered into with Benazir Bhutto and her Pakistan People's Party (PPP), he introduced the National Reconciliation Ordinance, granting Ms Bhutto an amnesty against corruption and criminal charges. But Lt. Gen. Masood said that far from winning support, this had been an unpopular move with an increasingly strident civil society, as it "washed away" her past misdemeanours.

The nation needs a military-civilian understanding to return the armed forces to barracks. Unfortunately, the army has been in power for so long that civilian, democratic institutions are very inexperienced. This raises the question of whether a civilian government should be allowed to govern, "stumbling to acquire expertise", so that the country can return to civilian rule.

Combating extremism and terrorism is another major challenge, but this needs strong public support. However, said Lt. Gen. Masood, free and fair elections were "likely to throw up moderate parties that can form a legitimate government, better placed to combat extremism".

The current US government helped broker the deal with Ms Bhutto, seeing her as an ideal partner in its 'war on terror' and in promoting US strategic regional objectives. However, given the unpopularity of the US approach, the Musharraf-Bhutto alliance will not receive public support. Washington should instead support democracy and the rule of law.

Changing values in Pakistan

Lt. Gen. Masood said Ms Bhutto had failed to realise that Pakistan had changed since she left the country, as she was still "wooing" the military and the West. She needs to win over important segments of society – intellectuals, professionals and the general population – work with a rejuvenated civil society and address people's concerns.

The real test of the legitimacy of the January elections will be whether Nawaz Shariff is allowed to return to Pakistan and the Pakistan Muslim League (PML) is permitted to stand. If so, the main political parties will take the centre ground, marginalising the extreme religious parties. Otherwise, the religious parties will grow.

All political parties must produce comprehensive political manifestoes to show where they stand, and must make a greater commitment to education, health and other public services.

Turning to regional stability, Lt. Gen. Masood said that if India and Pakistan worked together, for example in solving the Kashmir dispute, this would help create regional stability. However, he argued, India had shown less flexibility than Pakistan in trying to solve the problem.

Pakistan strategically important for Pakistan

James Moran, Director for Asia, Directorate-General for External Relations, European Commission, said Pakistan was strategically important for the EU, as it had a role to play in stabilising Afghanistan, fighting terrorism and stemming narcotics. It is also an important bridge-builder between the Islamic world and the West.

He welcomed Benazir Bhutto's return to the country, and felt that Nawaz Shariff's return would augur well for future elections. He was encouraged by the country's newly assertive judiciary and its vibrant media, and said the President had performed a "skilful balancing act" between the West and the Muslim world and in working with the country's religious parties.

Pakistan's challenges

Mr Moran said Pakistan faces five major challenges:

- to return to democracy;
- to reinvigorate federalism;
- to invest more in health and education, and counteract the influence of the madrases;
- to stand up against terrorism and the Taliban;
- to regularise its involvement in Afghanistan, in order to encourage regional security.

He wondered whether, if Ms Bhutto took power, she would build a peace dialogue with India, open up regional markets and roads and build up opportunities for "peace and human good", as she had promised.

The EU is "intensifying its dialogue" with Pakistan, focusing on democratisation, good governance and human rights. It is involved in education and economic development, is improving trade relations and will triple aid over the next seven years. As for the possible January elections, the EU is considering an observer mission, but only if the elections are likely to be independent and transparent.

The risk of "flirting with failure"

David Gardner, Associate Editor, *Financial Times*, felt it was no exaggeration to say that Pakistan was "flirting with the risk of failure as a state".

The military coup 30 years ago set the country on an Islamist course under military control. The people accepted the last coup which brought General Musharraf to power "with a sigh of relief", as this followed two incompetent and venal governments which had bankrupted the country and buckled its struggling institutions. He had brought talented people into government, established a tax base, and introduced a massive privatisation programme.

However, he had also institutionalised his own supremacy, "blowing the opportunity" to lay the foundations for democracy. The President was a "master tactician" in convincing the US that he was the only person capable of delivering up Al-Qaeda operatives, so Washington had given him funds, arms and aircraft.

Over the last eight years, he has monopolised personal power and encouraged monopolies of scarce resources, greatly enhancing the growth of Jihadis and Islamism, and unpicking the threads holding the country together. His generals have been allowed to "dabble" in events on the borders of Afghanistan and Kashmir, and made the "sorcerer's apprentice" mistake of allowing Jihadists more power.

Politically, he has marginalised the PPP and sections of the Muslim League by creating alliances with the religious right, so that it has become a dangerous force "swaggering across the country". Federalism is in danger, particularly along the country's north-west frontier, and with the growth of Pushtun nationalism.

A situation like this needs an open and fair electoral conflict to restore popular political legitimacy, something which Mr Gardner believed the Musharraf-Bhutto alliance would not create.

Abbas Rashid, Pakistani academic and journalist, warned that there was no room for complacency about the country's grave situation, but he believed the Musharraf-Bhutto deal might produce a transitory arrangement, leading to free and fair elections.

The growth of civil society

He particularly noted the unprecedented mass demonstrations by lawyers earlier this year protesting against the sacking of the country's Chief Justice, leading to his restoration. This had empowered the justice system, demonstrating it had the ability to check political incompetence, as well as strengthening civil society.

Looking at Pakistan's education system and the role of the *madrassas* in promoting extremist students, Mr Rashid believed that the government had tackled this wrongly. They had tried – and failed – to change mindsets by asking madrases to register, in return for "English lessons and computers".

Instead, the government needs to improve public education, as the *madrassas* have provided children with food, education, clothing and shelter, while the public schools have not even given them a basic education.

Looking at Pakistan's regional role, Mr Rashid said Pakistan needed to improve its relationship with India, including constructing the Iran-Pakistan-India gas pipeline.

Discussion

Asked about the dispute with Kashmir, Mr Masood said Pakistan should no longer be blamed for the situation, as it had stopped indirectly supporting militants. He believed that India should have moved faster and removed its troops to allow a peaceful settlement to be reached. Mr Moran said over the last three years, India and Pakistan had built up a level of confidence, and Europe would support a dialogue if asked to do so.

Questioned on the need for public education, Mr Rashid said the country spent 2.4% of GDP on education, while UNESCO recommended 4%. The quality and quantity of education institutions had to be improved at all levels: from primary to tertiary.

Asked about improving EU-Pakistan relations, Mr Masood said that economically, the EU was a big market for Pakistani textiles, while Islamabad was cooperating with NATO and other institutions. Mr Moran said the EU was not sure whether it would send elections observers if Mr Shariff was not allowed to participate.

Questioned on the status of the 'war on terror', Mr Masood said all Pakistanis wanted to live peacefully, but the US had denoted the 'war on terror' as a 'war of civilisations'.

Pressed on his remark about the risk of Pakistan becoming a failed state, Mr Gardner said this would happen if the country lost the ideological battle, or lost control of its borders. However, he saw a positive turnaround over the last year with the growth of a vibrant civil society.

Keynote speech: Pakistan's political situation

By retired Lieutenant-General Talat Masood, Pakistani military and political analyst

Presidential elections were held in Pakistan on 6 October 2007, in which President Musharraf won a one-sided victory for another five-year term. The election was very controversial as it was a foregone conclusion that President Musharraf would win. The opposition parties either boycotted or abstained from casting their votes. The official notification of the results will be made only after the Supreme Court gives its verdict on the petitions, filed by opposition parties and representatives of the lawyer's community, challenging President Musharraf's eligibility to run for the post.

The opposition's view is that President Musharraf is seeking re-election from the current houses of parliament, both national and provincial that have outlived their lives. They also maintain that a military person in uniform is ineligible to contest the elections. Their argument is that it is politically and morally incorrect and against the original spirit of the Constitution even if technically it is in accordance with the current mutilated Constitution. In this the opposition political parties are supported by the lawyer's community and segments of the civil society.

The apparent reason that President Musharraf wanted to get a vote of confidence from the existing assemblies is that he is not confident of being able to muster enough support from the incoming assemblies. Moreover, there are several legal impediments that could have blocked his eligibility if he had waited for the next assemblies, the foremost being the law that prevents government employees from seeking public office for a minimum of two years after retirement. Furthermore, there is a risk that the composition of the next assemblies could be such that it may not favour his election.

Now that President Musharraf has been elected and the informal results have been announced and also the national and provincial elections were so close it is unlikely that the Supreme Court that assembles on 17 October 2007 will reverse the decision. If, however, the court were to rule fairly, the decision could go either way. They could also subject his re-election to revalidation from the next assemblies and seek a reaffirmation of his vacating the post of army chief.

President Musharraf has been 'successful' in dividing most of the major opposition parties. By engaging in a political dialogue for a power-sharing deal with Benazir Bhutto's party for over a year he has ensured that she stays away from joining and leading the opposition against him.

Benazir Bhutto's return to power?

Despite being the leader of the largest political party, as an expedient measure, Ms Bhutto has deviated from what her party stood for, disappointing her constituency and supporters. Apparently she is overtaken by a pervasive dominance of the military and her current limitations and wants to capitalise on President Musharraf's predicament, as he is in dire need of broadening his political support to stay in power. Nonetheless, it is a sad reflection on his performance that after eight years of unchallenged power and extraordinary international support people are still hankering for exiled leaders whose performance he denigrated and made the *raison d'être* for military rule.

Meanwhile, as a part of a package deal between President Musharraf and Ms Bhutto a highly controversial National Reconciliation Ordinance has been introduced this year. The government claims that it will help promote national reconciliation, foster mutual trust and confidence among politicians and create a climate free of revenge and victimisation. In reality it is an expedient measure to give an amnesty to Ms Bhutto and other political allies against their corruption and criminal cases as a *quid pro quo* for supporting President Musharraf.

The effect of this ordinance, however, would be just the opposite of what is being claimed – sharper polarisation of the society and prospects of bigoted religious forces increasing their influence. On the

petitions filed against the Ordinance, the Supreme Court has ruled that any benefit drawn by public office holder under this law would be subject to the final decision of the court.

Broadly, what the nation needs today is an understanding between the military and the civil wherein the military reverts to defending the borders, and the supremacy of the civilian government is established through free and fair elections. Apart from democratisation the other great challenge the country faces is of combating extremism and terrorism, and the two are intertwined.

A democratic polity would encourage forces of moderation. Free and fair elections are likely to throw up moderate parties that can form a government either on their own or in a coalition. Being a legitimate government and having the support of the people would make it better placed in combating extremism.

The Bush administration sees Ms Bhutto as an ideal partner in the future set-up for strengthening efforts in fighting the 'war on terror' and promoting its strategic objectives in the region. The White House is closely monitoring events and facilitating the package deal between President Musharraf and Ms Bhutto. Washington should have realised that it is more crucial to support the system that can sustain democracy, rule of law and accountability rather than a political outcome that on the surface may appear to be favourable but will generate instability and provide space to militant forces.

This policy has heightened anti-Americanism across the political spectrum. The Ordinance is perceived to scuttle the legal and political process of accountability. President Musharraf's deal with the PPP and patronage of the PML has raised justifiable fears that the elections will not be free and fair. Clearly it is not in America's long-term interests to support military rule in Pakistan for short term gains.

By aligning with the military and openly courting the Americans Ms Bhutto's popularity has been adversely affected, but she hopes that what she would lose she will make up by capturing the floating voter who swings to the 'winning side'. Ms Bhutto foresees little impact of this new emerging political configuration on her core constituency voters.

She could, however, be surprised as voters, especially in the urban areas, are showing greater independence in their judgment. There is also a fundamental flaw in this approach as this fritters away the inspirational and ideological content of the party and lowers her standing in the eyes of the electorate.

People are also justified in asking what differentiates her party now from others that brazenly cohabit with the military. Moreover, it is vital for the PPP to win over important segments of the society – intellectuals, professionals and the broad masses – for fighting the formidable multiple challenges facing the country. It seems that having been away from her people for long she may not be fully aware of the qualitative change that has occurred in their thinking.

Pakistan today is on the cusp of a major transformation which could move in any direction. The information and media revolution, globalisation, revival of religious sentiment including a strong streak of fanaticism, nuclearisation of South Asia, fall-out from the events of 9/11 and the constant drift of the society due to weak institutions and acute crisis in leadership is pulling the country in different directions.

Ms Bhutto takes her supporters for granted and is more interested in wooing the military and the West, especially the US. But at this defining juncture in Pakistan's history it is far more crucial to look towards the yearning of the people and draw strength from them, rather than looking outwards. An internal dynamic will influence events and will be the more critical factor in shaping the destiny of the nation. Ms Bhutto talks of democracy and the people which is a laudable concept, but to operationalise it she will have to convince the nation that she respects and practices democratic norms within her party and in the context of Pakistan.

Clearly, she does not feel too confident of managing the 'war on terror' and uses that premise to support Musharraf as President. Ms Bhutto hopes that by making President Musharraf shed his uniform his

political power would erode, leading to a smooth transition to democratic rule. But both have strong personalities and there are wide differences in policy and approach which could result in a clash sooner rather than later.

Unless Benazir Bhutto wins with a comfortable majority, which is unlikely, she will remain under the military's influence and be treated as a junior partner. President Musharraf has openly stated that the new power configuration would be the "troika" in which power would be shared between the president, prime minister and the army chief of staff.

A return to the 1990's power-sharing deal

This confirms the fears that the country is once again going back to the 1988-1999 unstable configuration, in which the army was the key player dictating foreign, defence and even domestic policy and the prime minister playing second fiddle to it. Parliament and the cabinet's importance were considerably reduced in this arrangement and the centre of power remained with the army instead of being with the people and parliament.

The greatest weakness of a troika is that as a supra-constitutional body it would not be accountable to any one. Moreover, a Musharraf-Bhutto package deal will provide longevity to military rule at a crucial moment when Pakistan could have been steered onto the constitutional and democratic path. For many in Pakistan it is a major departure of principles from those which Ms Bhutto's party stood for from its inception nearly four decades ago.

PML (N), whose party leader Nawaz Shariff is in forced re-exile in Saudi Arabia, is taking a firm stand against military rule which is resonating with the masses and his popularity has gone up, but his past does not inspire confidence. Despite enjoying a two-thirds majority in the parliament in his second term as prime minister he squandered away a great opportunity to turn the country around. Hopefully, he has learnt his lesson and will be allowed to return soon to actively participate in the elections. The PML(N) suffers from the same personality cult syndrome as other political parties and has failed to develop a democratic culture and, in the absence of Nawaz Shariff, remained in great disarray.

However, it is also true that the PML(N) has been targeted by the government's ruthless tactics. The acting leader of the party, Javed Hashmi, was put behind bars for five years and its other cadres subjected to all forms of intimidation and harassment. Not even providing a level playing field to the PML(N) would reduce the legitimacy of the forthcoming elections and could give rise to agitation and instability.

Politico-religious parties (MMA) have also played a very dubious role in the present crisis. The two Islamic parties Jamaat-e-Islami (JI) and Jamiat-ul-Ulama-i-Islam (JUI), which are the main components of the alliance, are split on the issue of supporting President Musharraf. JUI, the major party led by Fazal ur Rehman has taken a pragmatic course, and whereas it was formally aligned with the opposition forces in reality it facilitated President Musharraf in getting re-elected by not dissolving the North-West Frontier Province (NWFP) assembly.

One of the major weaknesses of all political parties, both in government and opposition, is the absence of any comprehensive manifesto which could give the electorate definitive options to make their choice. The political parties have a minimal commitment to education, health, and other public services. Opposition parties also need to come out boldly with their defense and foreign policy, especially the 'war on terror'.

It is not enough to merely criticise the current policies but they must place their own agenda before the nation. People also wonder what value system most of our civil and military leaders stand for. Even the religious parties, like JUI, which are supposed to champion Islamic values and uprightness, are equally vague and non-inspirational.

The role of the military

On the military side, the nation will be closely watching the leadership provided by the new chairman of the joint chiefs of staff and the chief of army staff. Will they steer the armed forces away from politics and allow the normal democratic evolution to take place and has the new leadership learnt any lessons from the past?

These are some of the questions in peoples' minds. A full time chief of the army, of course, should be able to devote greater attention to professional duties. Our military, apart from ensuring operational readiness for conventional conflicts, will have to be equally well equipped to engage in counter-insurgency operations. And this is a conflict of "hearts and minds" which only a united people behind capable and honest civilian and military leadership can win.

The current political uncertainty and social turmoil is having an adverse fall-out on the government's ability to deal with growing militancy in the tribal belt and adjoining areas. It is also affecting the morale of the forces and the recent capture of over 250 military personnel by the militants and their growing influence is a clear manifestation of this. The insurgents have taken full advantage of the government's inability over the years to mobilise public opinion against them as the prevailing perception is that the 'war on terror' is being fought at the behest of America.

The Indo-Pakistan peace process has also suffered due to the government's preoccupation in dealing with the current internal situation and the immediate threat of radical forces on the western border. In any event, India was not showing any flexibility on substantive issues of Kashmir and even the less intractable disputes such as Siachen and Sir Creek. Despite progress on many confidence building measures (CBMs) mistrust between the two governments persists. India's increasing presence in Afghanistan is viewed with great suspicion in Pakistan.

New Delhi is accused of supporting nationalist insurgency in Baluchistan and this could impact on Pakistan's resolve to support the 'war on terror'. India's Prime Minister Manmohan Singh's recent remarks that progress on resolving Indo-Pakistan issues has been stalled due to the domestic problems in Pakistan indicates that they would resume serious negotiations only after the general elections when the new power structure emerges. Nonetheless, the fifth round of "composite dialogue" is commencing soon in which at least routine matters and progress on implementation of CBM's already agreed to could be addressed. India's coalition government is also facing a crisis that has detracted it from moving forward on Indo-Pakistan detente.

IV. Burma's future: further repression or slow change?

November 16 2007: International pressure is essential to bring about change in Burma following the brutal suppression by the country's military junta of the spontaneous demonstrations by a desperate population in September. Burma's immediate neighbours, such as China and India, have a crucial role to play, but the EU is also contributing by supporting efforts to resolve the situation and imposing sanctions on imports on timber, selected metals and precious stones.

Event report

Shigeru Tsumori, Professor, Department of International Social Sciences, Toyo Eiwa University, Former Japanese Ambassador to Myanmar/Burma, said that under military rule, Burma had plummeted from being one of the most prosperous countries in south-east Asia to being one of the poorest. Although it is rich in natural resources, with a hard-working population, its current political set-up makes economic development impossible.

He described the "appalling scenes" in Rangoon and other Burmese cities this September, when the Burmese army brutally suppressed peaceful, spontaneous demonstrations led by Buddhist monks. These demonstrations had been fuelled by astronomical increases in the price of petrol, cooking fuel and rice. While the military government may appear to have suppressed the unrest, deep-rooted frustration and anger remain.

The military leaders will most probably continue with their "seven-point roadmap of political democratisation", said Professor Tsumori, pushing ahead with a new constitution. However, the population is unlikely to agree to this, as it will be viewed as a means of establishing a legal basis for military rule.

At the same time, the junta has carried out "cosmetic" actions to buy time, such as agreeing to meet Daw Aung San Suu Kyi and renewing its invitation to the United Nations Special Rapporteur on Human Rights Paulo Sergio Pinheiro.

Burma – standing between China and India

Professor Tsumori pointed out that the country is in a significant geopolitical position, standing between China and India – the two Asian superpowers – and its stability and prosperity are important for the region.

The international community should play a role by coordinating policies to encourage forward-looking elements among the military to work towards national reconciliation, rapid democratisation and reform.

This should be based on three precepts: first, apply pressure and give good advice rather than interfere aggressively; second, understand that different countries exert different kinds of pressure – for example, Tokyo's approach must be different from that of Washington; thirdly, encourage influential countries such as China and India, which are currently non-interventionist, to "do their part".

Forming a core group of interested parties to bring about change, could be useful, said Professor Tsumori, provided the junta could be persuaded to drop its "siege mentality" and participate.

He considered three ways in which Tokyo could play an influential role:

- work through ASEAN+3, an increasingly important multilateral framework for the region, to persuade other members to exert influence on Rangoon;
- stress that democracy and human rights are universal values that must be upheld, so Rangoon's current behaviour is unacceptable;
- encourage the long-standing positive relations between Japanese and Burmese people 'on the ground', even though official relations have soured following Burma's military crackdowns.

Japanese and ODA

Professor Tsumori described how since 1988 Tokyo has provided official development assistance (ODA) to Burma for humanitarian purposes, although this has been withdrawn at times, following the detentions of Daw Aung San Suu Kyi and this September's crackdown. He questioned whether assistance should be conditional on political progress, or whether this was counterproductive given the junta's siege mentality.

Recent information indicates that, after their recent meeting with Aung San Suu Kyi, the military leaders are taking a more flexible approach towards holding talks, although he doubted this would produce concrete results. The Professor said he fluctuated between pessimism and optimism, as it was unclear whether the situation would improve.

Harm Yawnghwe, Director of the Burma-Europe office in Brussels, foresaw further repression and emphasised that international pressure was needed to make the military change its approach. However, this pressure had to be "calibrated", as timing was crucial, so any resolutions from the UN Security Council had to be presented carefully to avoid a Russian or Chinese veto.

Mr Yawnghwe emphasised that the September demonstrations had been spontaneous (not prompted by outside forces, as the junta had claimed) and were the result of an increasingly desperate economic situation. They had taken place after the population, which traditionally provides food for the monasteries, had been forced to beg for food at the monasteries.

Burma's neighbours had been horrified by the regime's reaction to the demonstrations, prompting ASEAN to issue a strong statement condemning the crackdown. Although the situation has been brought under temporary control, Burma's immediate neighbours – China and India – recognise that its instability is holding back regional economic development.

An added pressure is that Burma's long sea border makes it of considerable strategic value to south-east India, and south-west China, neither of which has access to the sea, so both these countries may intervene to force Burma to change track politically. An indication of this trend is Chinese support for UN Envoy to Burma Ibrahim Gambari, who has access to the top generals.

Given the obvious ruthlessness of the Burmese junta, the international community should help to ensure that the talks between Aung San Suu Kyi and the generals continue. An additional destabilising factor is that 40% of the population are from different ethnic groups. While most ethnic groups, which have their own militia, have negotiated ceasefires with the junta, any breakdown in these could add to the current instability.

Given these scenarios, the only alternative is to stimulate dialogue, working towards a transition, said Mr Yawnghwe.

He said the proposed 'core group' should be multiparty, led by the UN, and include China, India, the EU and the US, but cautioned that it could only work if the junta was included. He believed this might work, if only because China wanted to avoid further discussion in the UN Security Council, or a threatened international boycott of the Olympic Games.

Andreas List, Desk Office for Burma/Myanmar, Directorate-General for External Relations, European Commission, believed the answer to the crisis lay in the resourcefulness of the Burmese people. While future progress might be slow, he believed there was a "glimmer of hope" in what he described as the "Gambari process", to which the EU gave its full support.

He laid out three possible approaches to reach a political solution: the "political-constitutional track", drawing up the Constitution and the roadmap, although this would be implemented "at a snail's pace"; the "ethnic track", which relates to how far the different ethnic groups might wish to secede, breaking up

the country; and the "humanitarian track" which looks at social and economic damage done to the country and the possible humanitarian response.

The EU will give strong, continued support to Mr Gambari. To this end, it has recently appointed a Special Envoy to Burma to coordinate EU-UN efforts. The Union will also use every opportunity to bring up this issue at all bilateral meetings, such as those between EU-ASEAN, EU-China and EU-India.

Mr List said the EU's Foreign Affairs Council would formally adopt a Common Position on Burma, introducing an import ban on timber, selected metals and precious stones. At the same time, both the Commission and the EU as a whole are committed to continuing humanitarian assistance, using it to foster dialogue and fulfil the UN Millennium Development Goals.

Discussion

Asked about the role of business in bringing about change in Burma, Professor Tsumori said Japan had believed that economic development was a precondition for political development, but despite the funds it had given, this had not encouraged political development.

Mr List added that withdrawing EU businesses from Burma might impact negatively on the population, and the absence of foreigners in the country could leave the people more isolated. Pressed further on whether EU Member States had supplied arms to the Burmese military, Mr List said that while the EU had proposed banning arms deals, it was the prerogative of the individual Member States to decide on their approach.

Questioned on how to dialogue with the junta, Mr Yawnghwe said the military was "like a crab in its hole", and had to be enticed out. Professor Tsumori said one answer was to form a core group, similar to the Six-Party Talks for Korea, but he was unsure how flexible the military would be in participating.

Asked whether the newly-drafted Constitution could be interpreted as continuing military rule, Professor Tsumori pointed to other countries in the region, such as Indonesia, where the military had 'reserved' seats in their parliament. The important issue was to allow Aung San Suu Kyi's National League for Democracy to participate in the elections.

Pressed on the country's ethnic make-up, Professor Tsumori responded that while many of these groups were not satisfied with the current situation, it was unlikely that they would break the ceasefire.

Keynote speech: Myanmar/Burma's future – further repression or slow change?

By Shigeru Tsumori (Former Japanese ambassador to Myanmar), Professor of the Department of International Social Sciences, Toyo Eiwa University, Yokohama, Japan

The situation in Myanmar after the crackdown in September

Nearly two months have passed, since we have witnessed the appalling scenes in Yangon and in other cities in Myanmar. We don't know yet how many monks and ordinary citizens fell victims in the incidents on 26 September and other days of this month, caused by the brutal intervention by the Tatmadow army soldiers in the peaceful demonstrations in the streets.

These demonstrations were basically of spontaneous character organised by the angry people who were hit by the sudden boost of fuel prices on top of galloping inflation caused by the authorities' mismanagement of macro- and micro-economic policies. Rice, the main staple of the people in Myanmar is a particularly sensitive item and together with edible oil occupies some 40% of the total living expenses of ordinary citizens. The Engel's coefficient is as high as 70%.

The military government authorities seem to have kept the situation under control. Still, the latent dissatisfaction, frustration and anger are now more deeply and strongly rooted among the people. This kind of volcano might easily turn into a violent eruption by another miscalculation on the part of the junta.

In which direction will Myanmar be drifting in the coming months and years?

The leaders of the military regime will most probably pursue a political process based on the seven-point roadmap of 'political democratisation'. They are now in the process of drafting a new constitution since the National Convention was finished in September.

The question is whether, when and how the national referendum, which is the next step on the roadmap, will be held. The crackdown on the street demonstrations could work against government attempts to mobilise those who are voting for the newly-drafted Constitution. If many people interpret this Constitution as a legal basis for the continuation of the military rule in another form, it will not be adopted in the referendum. In that case it is crucial that a fair process is guaranteed so that the people can vote in a free and fair way and that the result of the voting is not manipulated in favour of the government. An international inspection is highly desirable, but the junta government would never permit such intervention by the international community. Many Myanmar people and foreign observers, whom I interviewed in Yangon/Rangoon two weeks ago, are very much concerned at it.

Some decisions taken by the military regime after the brutal repression in September, like the readiness to meet Daw Aung San Suu Kyi on four conditions and on the renewed invitation to the UN Special Rapporteur on Human Rights are most probably of cosmetic nature and are serving only to the purpose of buying time. In a nutshell there can be no light at the end of the tunnel, unless the Tatmadow Government takes some kind of decisive steps.

The necessity of coordinating policies towards Myanmar by influential countries

When we are deliberating on our policies towards Myanmar, two aspects are relevant. The first is its geopolitical and geo-economic situation. Secondly, *the people* of Myanmar should be the direct object in our policy-making, not only for humanitarian purposes in the short term but also from the viewpoint of human development in the long range.

Myanmar is, needless to say, a very important country from the geopolitical viewpoint with its location between two big powers, China and India. Moreover the fact that it borders on the Andamann Sea with its coastline of more than 2000 kilometres attaches a particularly important strategic significance to this country. From the geo-economic viewpoint, Myanmar's weight has been increasing because both ASEAN and South Asian Economies have been attaining economic development rapidly and steadily. Myanmar is a linchpin between the two sub-regions.

The sound political and economic development of Myanmar is, therefore, vital for stability and prosperity not only in the neighbouring countries but also in east and south Asia as well.

The potential of Myanmar's human resources has been exploited only to a limited scope because of the extremely rigid political and economic system. If we consider the high ability and capability of the people of this country, it is a great loss not only for Myanmar but also for the whole region. If I borrow the theory of Johan Galtung, it is a typical case of 'structural violence', because the discrepancy between the potential possibility on one hand and the real one on the other is so large and wide. The people are hindered by the rigid system in an extreme way and to an extreme degree from exploiting and developing their potential ability and capability.

Consequently the policies of the international community should be focused on removing this impediment by helping the people and also the forward-looking elements among the leaders of the military regime to achieve national reconciliation, rapid democratisation and reform of the country.

I'd like to point out the following three points in this context:

- Firstly, pressure and good advice are indispensable for change. Non- interference policies have not worked in the case of Myanmar. We have to keep in mind, however, that a too-severe pressure often brings about a counterproductive result and most probably makes the junta close the door even tighter to the outside world, while peer pressure or friendly advice could work well.
- Secondly, all countries do not need to put the same pressure to the same extent. How to use the tool of pressure basically depends on individual countries. Japan, for instance, with its particular historical relations to Myanmar/Burma, can and should use the tool differently from the USA or some European countries. The coordination and cooperation between the countries are, however, indispensable in order to make the pressure effective.
- Thirdly, it is important to try to persuade influential countries, like China and India, which are taking a non-interference policy stance, to do their part to help change the system of the country.

Recently the idea of forming a core group or a friendly group has been floated to influence the situation in Myanmar. I am interested in this, although the possibility of its materialising would be very small in view of the siege mentality or *Kasernementalitaet* of junta leaders of Myanmar.

Concerning Japan's policy towards Myanmar, I'd like to focus on the following three aspects:

- in the framework of ASEAN+3 and as a global power, what kind of role can and should Japan play?
- Myanmar is a test case in judging whether Japan can maintain its basic principle of democracy and human rights, which has been one of the essential pillars of the Japanese Diplomacy since the Second World War;
- the past history of the relationship between Japan and Myanmar/Burma is a valuable asset, of which best use should be made.

ASEAN+3 Forum is increasingly becoming an important and even an indispensable multilateral framework for cooperation to deal with problems in north-east Asia. This is an ideal forum for discussing the Myanmar problem. If ASEAN+3 could act jointly, it might be difficult for Myanmar to hide behind the screen of non-interference policies in internal affairs. In view of the divergent stances among the member countries towards Myanmar, however, it is not easy to make them line up for concerted action. Still the Japanese Government should still continue in making the effort to persuade pro-junta countries to exert their influence on Myanmar to take courageous steps for change.

Concerning Japan's fundamental policy toward democracy and human rights, the Japanese Government has been emphasising the universality of their values. Although particularities like 'Asian Values' should be taken into consideration, we should not forget the universal values that have been acquired and have proliferated in the world as a result of long fighting of peoples in past history. If we apply this yardstick to the present situation in Myanmar, it is an unjustifiable and an unbearable one.

This perception prevails among the people and the Government of Japan.

Since the time of the "30 comrades", Japan has been cultivating a close relationship with Burma. Under Ne Win's regime, the good relationship between our two countries reached its highest peak. The situation completely changed after the upheaval of people in 1988 and the general election of 1990. Still the Myanmar people's sympathy and even affection towards Japan and Japanese people and *vice versa* remain basically unchanged.

While trying to capitalise on this valuable asset, Japan should not lose sight of the strong aspiration towards change among the vast majority of the people of Myanmar.

Based on these principles, the policies of the Japanese Government towards Myanmar have been, in my opinion, basically correct and reasonable ones in the past years.

Since 1988, the Japanese Government has provided ODA, focused on humanitarian purposes on a case-by-case basis, taking into account the progress of democratisation and the improvement of the human rights situation. This is in line with the "General Guideline of Japanese ODA".

In 2006, the Japanese Government provided a total amount of roughly 2 billion yen in grants for humanitarian purposes including grass-roots grant assistance to alleviate difficulties in the daily life of Myanmar's poor people. One of the most controversial projects was the repair of the Baluchung hydroelectric power station, which had been constructed some 30 years ago with the assistance of Japanese ODA.

As the dialogue between the military regime and Daw Aung San Suu Kyi started in October, 2000, the Japanese Government decided to go ahead with this project and signed an Agreement to provide some 3 billion yen in three years. This decision was based on the conviction that electricity is extremely important to improve the humanitarian situation of ordinary people. Repeated detention of Daw Aung San Suu Kyi in Depain on the 30 May 2003, however, caused the stop of this project.

The crackdown in September caused a suspension of another project for constructing the capacity-building centre for the young people. I personally doubt whether it was a right decision or not, because in the longer term, I think it is greatly desirable to help Myanmar people develop their talent and capability.

The most crucial consideration is to what extent the assistance should be conditional on the political progress. The strict forum of "benchmark approach" might be counterproductive in view of the said mentality of the junta of this country. Rather there should be a rough link between the two.

If the Japanese Government were to indulge in power competition with China or others without sticking to this very basic stance, which is fortunately not the case for the moment, Japanese diplomacy would lose credibility in the international community.

V. Central Asia and the global agenda

December 3 2007: The five Central Asian Republics, once seen as 'candidates for state failure' after the demise of the Soviet Union, are instead evolving into fully-fledged states. The Republics' energy resources and strategic location between Europe and Asia mean the EU must take them seriously, and its new strategy recognises that Central Asia is an opportunity which warrants long-term investment and support to foster long-term stability.

Event report

Dmitri Trenin, Deputy Director of the Carnegie Moscow Centre, said that 16 years ago, when the Soviet Union was disintegrating, no one expected its 15 constituent republics to survive.

At the time, the five Central Asian Republics were considered "candidates for state failure", yet 16 years later they have evolved into fully-fledged states. Some, for example, Kazakhstan, take an active role in foreign affairs, while others, like Turkmenistan have vast gas and oil reserves.

Russia and its successor, the Soviet Union, was an empire for over 500 years, and was expected to reconstitute itself as an empire in the next few years. However, this has not happened, partly because of the development of these "Stans" into new states and partly because Russia prefers to act as a great power, not an empire.

When Russia was trying to "wriggle out of the shell" of the Soviet Union, it decided to rid itself of any baggage, including the Central Asian Republics, hoping that afterwards it would be ready to "march into Europe or the West", said Mr Trenin.

However, as the Kremlin's illusions about integrating with the West on its own terms were dispelled, it adopted a policy of 'limited integration' with these Republics – wanting them to remain loyal, but without any policies on what to do next.

Russia on the rise again in Central Asia

This approach of inaction while retaining control over this territory ended in the wake of 9/11, when Russian President Vladimir Putin acquiesced to US requests to house military forces in the region as part of operations to defeat Al-Qaeda and the Taliban in Afghanistan. He did so fearing that otherwise these Republics would transfer their allegiance to the West, even though having US forces in the southern portion of the former USSR was a threat to Russia's national security.

The situation changed again between 2003 and 2005 when Russia began to see itself once more as a great power, so it "decoupled" from the West, with the intention of easing the US out of the region. Russia had been a founding member of the Shanghai Cooperation Organisation (SCO) – comprising Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan – and in 2005, it prompted the SCO to issue a statement denouncing the military presence in the region and requesting the US to withdraw.

Russia now views Central Asia both as an important energy resource and part of a strategic axis, so, given the security risks in the region, takes these countries more seriously.

Eugene Rumer, Senior Fellow at the Institute of Strategic Studies at the National Defence University, Washington DC, agreed that the Central Asian Republics were maturing beyond expectations, surprising many academics.

Immediately after the break-up of the USSR, Russia was concerned about bringing back parts of the nuclear programme from Kazakhstan to Russia, while the US wanted to expand the frontiers of freedom, democracy and markets, and put funds into the region.

Ironically, the Central Asian Republics were disappointed that Washington's main concern was to establish the region as a "power-free zone", rather than becoming an imperial power, as they would have welcomed a powerful US presence in the region. However, Washington preferred to see a stable region with good links to the outside world.

Later, as the US became more concerned with seeking oil resources and with other priorities, its interest in these Republics waned.

Mr Rumer agreed that all this changed after 9/11, given Washington's need to establish a military presence in Kyrgyzstan and Uzbekistan. The subsequent downfall of the regime in Afghanistan established US strategic domination in the region, displacing Russia and China.

Events in the region continued to be turbulent, said Mr Rumer, with the US pressing for reform and the development of a market economy, leading to revolutions – such as the Tulip revolution in Kyrgyzstan – and counter-revolutions. Following brutal government repression of opposition in Uzbekistan, the US turned away from the region, showing the regimes that they could no longer rely on Washington's support.

Mr Rumer believed that policies in the region had come full circle: George W. Bush's administration feels that little is going to come out of its dealings with the Republics, so has turned to other parts of Asia. Russia, on the other hand, is now resurgent, and China has much greater economic and strategic power in the region. "Geography will determine its destiny," he concluded.

The role of the EU in Central Asia

Pierre Morel, EU Special Representative for Central Asia, acknowledged that the Union had only rather belatedly understood what was happening in the region, and that the five Central Asian Republics were disappointed that neither European countries nor the US had taken up the opportunities offered for partnership at the beginning of the 1990s. However, the EU has, in fact, been present in the region for many years, carrying out a poverty alleviation programme in Kyrgyzstan.

After the fall of the Soviet Union, the EU found itself marginalised in the region, with the ascendance of Turkey and the overwhelming presence of Turkish businesses in Turkmenistan, and later the return of Russia through the Shanghai Cooperation Organisation.

The 2005 January embargo on Russian gas passing through Ukraine was the final "wake-up call" for the EU, which began to understand the region's potential importance as an energy supplier or conduit, said Mr Morel. The EU's new strategy accepts that Central Asia is an opportunity which warrants long-term investment and support.

Creating the position of EU Special Representative in 2005 provided a second opportunity for positive engagement, he said, and the EU's Regional Strategy Paper on assistance to Central Asia (CA RSP), adopted at the 2006 June European Council, laid out the programme. Its scope ranges from helping to develop the region's oil and gas resources and uranium mining to drawing up strategies to meet current threats, such as military instability, environmental fragility and the growing drug threat, particularly increased heroin production.

These are not failed states, but "states in construction", he insisted. They need institutional reinforcement for long-term stability, and most of the EU budget over the next seven years is going into integrated regional programmes. This will include supporting the rule of law, education, building up water and hydro-electricity networks and the Internet, and supporting dialogue between the cultures.

The EU has moved beyond "the Great Game" formula, said Mr Morel. Events in the region are not a revival of the past, and outside powers must treat the region with a mixture of competition and cooperation in future. It is important to create a triangle of Russia-the EU-the Central Asian Republics, based on a nucleus of common interests such as fighting terrorism and drugs, creating political stability and developing energy resources.

Discussion

Asked about the position of Kyrgyzstan, Mr Trenin said it was one of the freest countries in the region, and the only one that had passed through a "coloured" revolution. Mr Morel added that it was also the only one of the "Stans" to join the World Trade Organization, although it had negotiated this too hastily, and its markets were being flooded with Chinese goods.

Questioned about supporting European commercial interests in the region, Mr Morel said the strategy not only proposed using EU funds to build institutions, but also to mobilise Member States to get involved – and he pointed out that Italian Prime Minister Romano Prodi recently visited Kazakhstan with a team of 200 businessmen.

Asked whether the individual Republics see themselves as a regional entity, Mr Rumer believed they saw their relations as a complicated balancing act between competition, caution and self-interest. Mr Morel believed they viewed themselves as Eurasians wanting to build links in all directions. Mr Trenin felt that ethnic affinities in the countries translated into political affinities

Questioned on the SCO's role in the future, Mr Rumer said it had great political capital for the Republics as it enabled them to sit as equals at the same table as their two neighbouring giants, Russia and China. Mr Trenin believed that it might be possible to establish EU-SCO dialogue, although this should be a developing process rather than at a formal level.

Pressed on Russia's role in the region, Mr Morel said Moscow wanted to build up an economic space, and Mr Trenin said none of the "Stans" would rejoin Russia, and Russia did not intend to re-annex any Republics. Moscow views the region as divided into Kazakhstan and Middle Asia. It hopes for greater economic integration with Kazakhstan, which has a Russophone population and shares a border thousands of kilometres long. For its part, Kazakhstan also wants to develop relations with China and the US.

Keynote speech: Central Asia – no new 'Great Game'

By Dmitri Trenin, Deputy Director of the Carnegie Moscow Centre

Central Asia is currently attracting more international attention that it has for decades, even centuries. There are two principal reasons for this: hydrocarbons and security. Even though the initial reports of the Caspian as the second Gulf were vastly exaggerated, the oil and gas resources of Kazakhstan, Turkmenistan and Uzbekistan are substantial.

They are of interest to several major outside players: Russia, America, China and Europe. In security terms, Central Asia, a Muslim region directly adjacent to the Greater Middle East, in particular, Afghanistan and Iran, is a major front on the 'war on terror'.

More than a decade and a half after the break-up of the Soviet Union, all five Central Asian states, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan have survived. Few predicted that in 1991-1992, and many would regard this outcome as a small miracle. Not only have they survived, but they have succeeded in transforming former Soviet Republics with no foundation of pre-Soviet statehood in their current borders, into full-fledged states. All of them are weak states, for sure, yet none, today, is a failing one.

It has become fashionable to talk about a new Great Game in Central Asia. Modelled on the 19th century geopolitical context, the new "game" pits Russian interests versus those of the United States, or, in another version, Russia, America and China are seen as engaging in a three-corner competition.

This view, apparently well-rooted in the region's history, misses a vital dimension: the Central Asia States themselves. In the previous cycle, Central Asians were but objects, playthings, prizes to be won or lost by the great power rivals. Nowadays, this is different.

At the beginning of the 21st century, Central Asians can and do decide how to orientate themselves in the international environment. Of course, they have to take the existing realities into account. China and Russia are the two big immediate neighbours, and the US, the global power, is present in the region politically, economically, and militarily. Since 2001, it has been engaged in an operation in neighbouring Afghanistan. The European Union has been paying increasing attention to the region, as have such Asian majors as Japan and India.

As a result, all Central Asian countries have developed multi-vector foreign policies. Kazakhstan, Russia's only direct neighbour and an integration partner, has been carefully and successfully manoeuvring among China, Russia and the US. Symbolically and tellingly, it has been pumping its oil via Baku-Ceyhan to Europe, CPC to Russia and a new pipeline to China. Uzbekistan, the region's heartland, has been compelled to reorient itself away from the US and towards Russia and China, but it can hardly be taken for granted by Moscow or Beijing.

Turkmenistan, which has experienced a power change at the top, has been emerging from its 15-year-isolation to look for the best possible deals from its potential customers in Russia, China and the West. Tajikistan has been pursuing a foreign policy *tous azimuts*. Kyrgyzstan, the region's smallest nation, is also unique in the sense that it has been hosting US and Russian military bases – a mere 20 miles apart.

Russia's 'South'

Over the past 15 years, Russia's policies toward the region have changed several times. Moscow started with a policy of benign neglect. It basically saw Central Asians as a drag on its reaching its central goal of reintegration into the West. Soon, however, Moscow had to pay more attention to Central Asia, as a result of the conflict in Tajikistan. For several years after that, the Kremlin has been imitating post-Soviet integration, without a serious intention or sufficient resources to turn this into a reality.

It is only in the 2000s that Moscow has become more realistic with regard to what it hopes to achieve in the region and the ways of achieving these goals.

Today's Russia is pursuing a policy of economic expansionism, with a strong energy accent to it. It seeks to tie Kazakh, Turkmen, and Uzbek oil and gas resources to its market and its pipeline network. It has concluded agreements with Astana, Ashgabat and Tashkent on a Caspian coastal pipeline. It has been investing in the region, seeking control over its energy production.

For Russia, the 'Time of the South', ushered in by the cataclysmic developments of the late 20th century, continues. Never has the South been as important to Moscow or St Petersburg as it is now. Central Asia, the biggest chunk of the former Soviet South, will be increasingly important to Russia, both for good (energy shipments, labour immigration, business opportunities) and for bad (instability).

In Central Asia, Russia is not an outside power, but a former metropolis of the empire. While dealing with the countries of the region, it enjoys great intimacy, but also bears a heavy legacy (the plight of the Aral Sea; the contamination at the Semipalatinsk nuclear test site).

In the medium term, Russia's main political problem is how to handle authoritarian regimes. Its current position across Central Asia is built on its unconditional embrace of authoritarians. Moscow even prides itself in not placing any conditions on its cooperation, refusing to deal with the opposition, and not nudging the local regimes to change. Continuing to give them its unqualified support would not only put Russia on the wrong side of history, but damage Russia's interests and help produce, not bar, instability. Moscow which has embraced Tashkent will now carry a moral responsibility for what happens in Uzbekistan.

Moscow, however, has no idea how to deal with the evermore-likely socio-political crises in Kyrgyzstan, Turkmenistan and Uzbekistan, which can lead to an upsurge of Islamist radicalism. With its focus on "fighting terrorism" and building up "anti-terrorist centres", it may be surprised by mass action for which there may be no antidote.

As illustrated by the case of Kyrgyzstan, Moscow has little knowledge, even less understanding, and limited capacity of dealing with succession crises. The coming successions in Kazakhstan, Turkmenistan and Uzbekistan will be of crucial importance. Simply working at presidential palace or security service headquarters levels would hardly suffice.

Russia's fundamental handicap is the nature of its own political regime, the quality of governance, the archaic geopolitics-dominated "software" of its foreign policy, the slow, uneven and most reluctant adjustment of its security and defence policies, unlike the more enlightened economic and financial ones, to the post-Cold War realities.

Russia's role in Central Asia would be greatly reduced, in contrast to the 19th and 20th centuries, if it were to permanently cease to be a modernisation force, and become conservationist and reactionary instead.

So far, Russia's policies have been lacking in both dynamism and vision. A region-wide strategic approach is missing. There is little guidance and little coordination among the various agencies involved in foreign policy-making. The near-monopolisation of foreign policy planning by the security services leads to its de-intellectualisation. As a result, creative conceptualisation is replaced by simple stereotypes, policy-making is reduced to special operations planning and the use of "political technologies".

Russia and other powers in the region

Russia usually reacts to events rather than sets the agenda in its relations with the Central Asian countries. Even where it comes to the principal vehicles of Moscow's regional policy, the Collective Security Treaty Organization (CSTO) and the EurAsian Economic Community (EAEC), Russia has not been actively promoting policy coordination among its allies. Now that both Kazakhstan and Uzbekistan are in that category, the task has become even more difficult.

Russia has not been able to find the right balance between the alliances where it is the leading member (CSTO and EAEC) and the wider grouping to which belongs (Shanghai Cooperation Organization – SCO). Unsure of itself, it vacillates between attempts at regional leadership and occasional 'band-wagonning' on China. Should these trends continue, Russia would be losing more and more of its influence to both China and the US. In case of Washington losing interest in Central Asia, Beijing would likely be the prime beneficiary.

Russia has not been able to engage the US for productive collaboration in Central Asia and Afghanistan. Russians overestimate the effect of the US support for freedom and democracy in Central Asia, which they regard as a major destabilising factor. Such approach makes Moscow offer even more unconditional support to the authoritarian and often repressive governments in the region, which leads to further deterioration of the political situation in Central Asia.

On the other hand, the parallel US unwillingness to engage Russia as a principal regional partner in Central Asia means missing a major opportunity to consolidate an important region. The danger of destabilisation of Uzbekistan, now passed from American to Russian hands, should be sobering. Dealing with the narcotics problem in Afghanistan requires a joint effort.

On the economic front, Russian government support for Russian business activity in Central Asia, outside of the major energy companies, is slight or non-existent. Russian investment outside the energy sector is generally low.

Russia's use of its 'soft power' is most shy. Russia watches by as the Russian language and Russian culture are steadily vanishing in the region, except in Kazakhstan. Leaders like Kyrgyzstan's first president Askar Akayev who had spent 17 years in Leningrad before returning to his native land to assume a position of prominence there, are unthinkable now. Unless Russia dramatically expands its programme for Central Asian students, the former intimacy between the elites will be lost forever.

A major problem of Russia's foreign policy in Central Asia is that Russian officials are often rather arrogant and paternalistic in dealing with the former borderlands. This is especially damaging in relations with the region's principal countries, Kazakhstan and Uzbekistan, but also with others as well. Moscow needs to learn to treat the new countries with much more respect.

Finally and crucially, Russia's attractiveness in the eyes of Central Asians is limited. This can only improve as Russia proceeds to modernise its economy, political and social systems.

VI. 'Chindia': the spectacular rise of China and India

January 21 2008: China and India's economic rise is "unparalleled in human history" and the West should accept them as equal partners in international fora to frame new rules to govern the global economy. Europe has "woken up to the opportunities" of Asia's rise and is redefining its relations with the region, but China and India still feel they are being "scapegoated" by Europe's political elites.

Event report

Rajendra K. Jain, Professor and Chairperson, Centre for European Studies, School of International Studies, Jawaharlal Nehru University, New Delhi said the rise of China and India was "unparalleled in human history".

China has witnessed 9.5% economic growth *per annum* for the last 25 years, trebling its share of world GDP, while India's economy has grown at 6% a year for two decades, doubling its share of GDP. By 2050, the re-emergence of these Asian giants, together with Russia and Brazil (known collectively as the BRIC countries), will profoundly affect the world economy.

This growth has fuelled Europe's economic fears that the "Chinese juggernaut" will threaten European jobs, and has prompted Trade Commissioner Peter Mandelson to assert that China is "out of control".

EU-Chindia economies 'intertwined'

However, the economies of Europe and China are intertwined, said Professor Jain: 25% of Chinese industry is foreign-owned, and Chinese industries provide Europe with cheap consumer goods and help to keep down inflation. Although EU-India trade is smaller, Europe still fears India's threat to its service-sector jobs. China is "in the Olympic Games league and India in the Commonwealth Games league", he said.

Both China and India feel that they are being "scapegoated" by Europe's political elites, which prefer to blame them for their problems rather than competing with them in the global market.

The rise of China, India, Brazil and Indonesia will check the West's ability to define the international agenda, said Professor Jain, and lead to a new system based on competitive co-management, where emerging economies help define global rules.

China has long favoured multipolarity, rather than US unilateralism or the European approach, he said, and globalisation is likely to result in a multipolar approach.

These countries must also have a larger say in the international financial institutions and in the dialogue on global trade, said Professor Jain, although as Commissioner Mandelson put it, the current challenge is for: "A Chinese negotiator to start talking and an Indian negotiator to stop talking."

Post-modern Europe currently acts as a "norms entrepreneur", exporting European social, economic and ideological behaviour to 'civilise' the rest of the world. China and India deeply resent this and, as the "two new big kids on the block", want to play a bigger role in agreeing different rules and different norms.

Europe expects them to behave as "responsible stakeholders" in resolving global problems, as China, in particular, has demonstrated it can play a role in multilateral diplomacy, acting to resolve conflicts in Sudan, Iran and Myanmar.

The US and Europe have different approaches to 'Chindia', said the Professor, as the US is concerned about China's security challenge, while the EU sees the country as a market opportunity and a "crucial partner", rather than a "strategic threat".

Energy security is another area in which the West and China will compete for increasingly scarce resources. In contrast to the EU, Beijing has a policy of "commodity diplomacy and policy non-interference in authoritarian regimes", such as Myanmar and Zimbabwe, which the Germans term "a breach of international rules and behaviour".

China and India are now competing for oil and gas, but China always outmanoeuvres India. China's "relentless rise" has also presented India with both an example and the opportunity to follow its own path to development. Chinese development is spearheaded by a one-party state and a managed economy, while India is a democratic regime with a free market economy.

While both economies are likely to grow at a rate of 7-8% for decades to come, both will become relatively rich with large poor populations, high national wealth but poor *per capita* income.

Chindia challenges many of the West's assumptions, concluded Professor Jain, and European companies could become more competitive by teaming up with Chinese and Indian companies. At the same time, working with Europe benefits Chindia, as the EU generates 40% of global GDP and is a vital source of trade, technology and foreign direct investment.

Wei Wei Zhang, Research Fellow at the Modern Asia Centre, Geneva, said China's GDP had increased ten-fold over the part 30 years, lifting 300 million people out of poverty. However, most of this growth is based on producing goods for EU and US companies, and as a result only 10% of the profits remain in China, which also has to deal with the environmental and social costs.

Developing EU-Sino relations

Given the importance of the Sino-EU strategic partnership, the two powers should treat each other as equals, accepting each other's values, said Mr Wei. While many EU Member States want China to become a democracy, the country is most likely to experiment with "cautious political reform".

In contrast to China's rise, which is export-based, India's growth stems from accessing its potential. While the West may see China and India as rivals, their leaders focus on common interests, while accepting that their models of modernisation are very different – one state-led, the other based on the free-market. Given its own political bias, the West believes that democratic India will overtake China.

Given the size of their combined trade, it is said that when Chindia sneezes, the rest of the world catches cold. Perhaps this should be changed to "Chindia can offer medication for the cold", quipped Mr Wei. Other shared Europe-Chindia interests include international financial reform, and here US-Europe-Chindia must work together to prevent the US sub prime mortgage crisis bringing down the entire financial system,

With 50% of the world population living in poverty, Europe and Chindia should join forces to fight global poverty, particularly in Africa. Europe is Africa's biggest aid contributor, China provides pragmatic assistance and India has the business networks.

Geoffrey Barrett, Adviser, Asia Directorate, Directorate-General for External Relations, European Commission, said that over the last ten years, the Commission had "woken up to the opportunities of Asia's rise".

With the level of interdependence at "unprecedented levels", it is important to get relations right, as donor/beneficiary relations with India have developed into "burgeoning cooperation" over the past three years.

As India has been a key player on the world stage since 1994, EU-India relations must be upgraded to reflect this, as the current legal status "does not do justice" to the changing relationship, said Mr Barrett. He believed that India's economic success was linked to its democracy and the rule of law, and pointed out that Delhi shares the same approach as the EU towards global concerns like the fight against terrorism or climate change.

EU-Asia relations are changing in many areas, including research, trade, security, human security, climate change and energy conservation, and fighting world poverty. Mr Barrett said Europe has had a "honeymoon with China", seeing much to admire, such as the staggering growth and the drop in poverty levels.

The EU wants a dynamic trading partnership, so China should open its markets and create a level playing field for European companies. The proposed new EU-Chinese Partnership and Cooperation Agreement will reflect changed bilateral relations and will enhance political dialogue. China is beginning to respond more like an international partner, and the EU would like to see it introduce social and political reform, he said.

China and India are now working to overcome past differences, and the EU will help this and promote peace and stability in the region.

Discussion

Questioned about India's attitude towards human rights, Professor Jain acknowledged this was a sensitive topic for India, which resists international interference in its internal affairs. However, the EU must not be conscriptive and accept that, for some countries, human rights are defined by national interests.

Asked whether these countries' Special Economic Zones (SEZs) were incompatible with WTO rules, Mr Wei said subsidies to China's SEZs were being phased out or altered to comply. Mr Barrett said the Commission was negotiating trade rules with India and China, and the SEZs were a test of compliance.

Questioned about Chinese economic and social stability, Mr Wei said it was entering its most stable period since 1949. It has a different political approach, and Beijing wonders why it should be expected to choose a Western model which has been so unsuccessful in developing countries such as Kenya or Lebanon and China can "now lecture back to the West!" Mr Barrett said that China faces economic challenges, as there are vast swathes of the country which are not developing.

Asked about the role of civil society, Professor Jain said huge sectors of the Indian population are becoming politically sensitised, acting as a catalyst for change on issues such as the environment.

Questioned about India and China's role in Africa, Mr Wei said Chinese projects focus on infrastructure, and it follows a policy of engagement with all the parties. It follows African Union policies, acting as its strategic partner in international affairs. However, India is failing to capitalise politically on its goodwill in Africa, where it is a net aid donor.

Asked whether wealth can 'trickle down' in a developing country, Professor Jain said this was not automatic, as China and India have demonstrated.

Keynote speech: Europe and the rise of China and India

By Rajendra K. Jain, Professor of European Studies and Chairperson, Centre for European Studies, School of International Studies, Jawaharlal Nehru University, New Delhi

The rise of China and India is unparalleled in human history because never before has the world witnessed the simultaneous and consistent takeoffs of two nations, accounting for more one third of the planet's population – 2.5 billion consumers and producers. Both of them have been consistently registering high growth rates for two decades: China has been growing at around 9.5% for 25 years and India – the fastest growing free market in the world – has been growing at a rate of around 6% for two decades.

China has already trebled its share of world GDP and India has doubled it. Both these giant economies of Asia are regaining a considerable part of their share of world GDP that they had lost during the two centuries of European colonialism.

The rise or re-emergence of these two Asian giants has profound implications for the world economy and world politics. In 2003 it was predicted that by 2050 India, along with Brazil, Russia and China, will form one of the BRICs (i.e. Brazil, Russia, India, and China) that together will challenge the G7 and the US economies because of their market size and economic dynamism.[1]

It also predicted that India will witness growth exceeding 5% in the next 30 years and it will continue by almost 5% for another 20 years after that – such persistent growth at 5% *per annum* level for 50 years is without historical precedence.

1. Europe's economic fears. The rise of China and India has led to worries about Europe's economic future as enthusiasm for economic globalisation is waning in the West in contrast to the near universal public approval of global trade among those living in the rising Asian economic powers of China and India.[2] According to a recent Pew Global Attitudes Survey (June 2007), China's expanding economic and military power is triggering considerable anxiety in Western Europe, where the number of those with a favorable image of China declined between 2005 and 2007.[3]

China – the workshop of the world – is perceived by most Europeans as a direct and immediate threat to European jobs since it is with China that the Union has the largest bilateral trade deficit. With its trade deficit with China rising by €15 million an hour and likely to reach €170 billion in 2007, the Europeans are becoming increasingly concerned about the Chinese juggernaut, which Trade Commissioner Peter Mandelson recently asserted, was to some extent "out of control". Since conciliatory tactics had failed to secure concessions for Europe, he urged the deployment of more "rigorous use of anti-dumping and other means of trade defense".[4]

European concerns related to the artificial undervaluation of the yuan, government subsidies, and scant respect for intellectual property rights. However, there does not seem to be an easy solution to Europe's mounting trade deficit with China because the Western economies are increasingly intertwined with that of China. A quarter of the Chinese industry is foreign-owned and Chinese industry supplies cheap consumer goods which not only benefits European consumers, but has also helped tame inflation and keep interest rates down. The Chinese have generally deflected protests by announcing large export orders at crucial moments

On the other hand, the Union's trade with India was nearly six times less than with China – €47.3 billion in 2006 with the EU having a surplus of about €2 billion. India is seen as a latent and potential threat taking away service-sector jobs, though pressures would increase as both China and India move up the value chain.

India has too much catching up to do with China which has had a head start of 23 years. India is in the Commonwealth Games league whereas China is in the Olympic Games league. A Sino-centric Europe has been more willing to accommodate China than India, which, as Commissioner Mandelson said, "is getting there, but not quite arrived".[5]

2. Scapegoating by Europe. China and India feel that European political elites seem to be indulging in a degree of scapegoating about the danger from Chindia. These debates often tend to be long on passion and short on facts. It seems easy to blame globalisation for much of what ails European society. However the roots of European *angst* really lie in European difficulties in managing globalisation, declining competitiveness, growing Euroscepticism about the future, fear of change, an unsustainable health, pension and social welfare system, and the inertia of a population more inclined to enjoy the fruits of life instead of seeking to compete with two nations which have been beneficiaries of the very globalisation that the West urged them to embrace.

A few have even spoken about a Europe in relative decline. A worsening demographic profile with a greying population is increasingly compelling Europe to address the problems and opportunities of in-sourcing highly skilled immigrants or outsourcing services more seriously.

3. Global governance. The rise of new global and regional players like China, India, Brazil and Indonesia among others, a leading EU think tank recently conceded, will "test" the ability of the West to influence international affairs which will consequently "probably find it much harder to define the international agenda" and have a profound impact on the future of global governance.[6] The growth of power of China and India, could resurrect "a system based on competitive co-management between the great powers, one that permeates those international organisations charged with regulation".[7]

The redistribution of power currently underway will enable rising powers like China, India, and Brazil, to shape and influence global agendas and decisions to a greater extent than at present, but this will happen in an increasingly contested environment since the emerging powers seek to *change* the prevalent order to facilitate preferred outcomes. Effective multilateralism will continue to be elusive.

4. Restructuring global institutions. In the era of globalisation and an increasingly integrated world economy, international institutions are playing a significant and intrusive role especially towards developing countries seeking to increasingly regulate their social, economic and political life.[8] The increasing share of the developing and emerging economies in terms of world output and trade, the emerging powers argue, must be reflected in the redistribution of power in international financial institutions like the International Monetary Fund and the World Bank in order to increase the space for a genuine dialogue on the governance of the global economy.[9]

There is resistance in the West to "treating the world as a single global constituency in which the majority ruled would mean that the more than 2 billion Chinese and Indians could usually get their way"[10]. China and India argue that the structures of global governance (including the G8[11]) must be more democratic, representative and legitimate by increasing the participation of developing countries. However, both realise that a radical restructuring of international institutions is not possible and that change can only come about incrementally.

5. Multipolarity. Like the EU, China has long favoured multipolarity in its opposition to American unilateralism and dilution of the influence of the superpower(s). Both China and India have similar attitudes towards the role of the United Nations and multilateralism. During the UN debate on the eve of the Iraq war (2002-2003), the Europeans were at the forefront of questioning the American attempt to oust Saddam Hussein based on a perceived threat of weapons of mass destruction.

Chindia are vehemently opposed to European aspirations to transform the United Nations into a supranational organisation which can get and implement a mandate to interfere in domestic affairs. Globalisation will exercise a determining influence on the world economy and international politics. We will gradually gravitate to a multipolar world, but effective multilateralism will continue to be elusive.

Despite common aspirations for forging a rule-based, multipolar world order, there are **basic differences** in both perceptions and interests of China and India with the European Union in many fields, including trade, development, globalisation, and WTO negotiations, the International Criminal Court where the EU has taken a stand contradictory to them. They could, therefore, "even forge a strategic alliance against the United States' hegemonic pressures".[12]

6. Multilateral trade negotiations. Since the Cancun Ministerial (2003), the advanced industrialised countries have been challenged in multilateral trade negotiations because of effective coalition-building by emerging powers (China, India, Brazil and South Africa) with other developing countries.

The World Trade Organization has ceased to be a tango where the US and the EU played a decisive role in both agenda-setting and rule-making. Senior EU officials have generally expressed a preference for and likeableness of China's low profile and its general caution about assuming a leadership role inside the WTO in sharp contrast to the higher profile that India tends to occupy in multilateral trade negotiations.

The greatest challenge, Trade Commissioner Mandelson, recently remarked, is for "a Chinese negotiator to start talking and an Indian negotiator to stop talking".[13] Though both China and India realise that the

rules of the WTO may be skewed against developing countries, both are convinced that rules are better than no rules at all.

7. Norms' entrepreneur and exporter. Postmodernist Europe is increasingly becoming a norms' entrepreneur and exporter, somewhat of a crusader with a missionary attitude seeking to propagate and impose European social, economic and ideological standards of behavior and norms within the international community through institutions in such a way as the application of these norms is considered necessary for global governance.

This is to be done on the basis of the principle of sovereignty-sharing in the management of global public goods and issues like human rights, environment protection, etc. The Europeans have come to believe that their transcendence of power holds lessons for others, and they have "a civilising mission" in the modern and pre-modern states[14] irrespective of their stage of development.

Both China and India resent European efforts to talk down to them from the high pedestal of post-modernism. They remain acutely sensitive about their sovereignty and internal autonomy against intrusive human rights' issues and remain wary about humanitarian intervention and the circumstances in which force may be used. But China and India are sovereignty conscious and feel that 'hard power' is as necessary as post-modernist Europe's fascination for and advocacy of 'soft power'.

Both China and India want to play a greater role, in the making of new rules of the international economic and financial system, in the establishment of which they had no role since it reflected the geopolitical realities of the end of the Second World War, and which, till today, have been exclusively managed by Western industrialised countries.

The two new big kids on the block have no difficulty with a rule-based world order, but what they want is "a different set of rules". Both China and India realise that they can only incrementally transform the existing corpus of norms which have been built into international law,[15] but they are determined that in incorporating new norms, they play a meaningful and assertive role seeking to safeguard the interests of their people who constitute one third of humanity.

8. Responsible stakeholder. Europe would like both China and India to become "responsible stakeholders" in the resolution of global problems and for drawing them into multilateral relationships. As a permanent member of the UN Security Council, China has the same authority and advantages of "great-power exceptionalism"[16] and therefore, it was natural that EU-China interaction was much more significant in the resolution of key problems because in 2007, China had become the largest trading partner of Iran, North Korea, and Sudan and the second-largest of Burma and Zimbabwe.

On its role in North Korea, China was increasingly seen as a "good listener" in multilateral diplomacy.[17] On Sudan, initial Chinese intransigence subsequently gave way to a more constructive approach in the wake of the non-governmental campaign advocating a boycott of the so-called Genocide Olympics in Beijing. Chinese pressure facilitated Sudan to agree to the deployment of 3,000 UN troops, including 275 military engineers to Darfur. Since 2006, China has been involved in the 6-nation contact group, (including P-5 and Germany) in trying to resolve the Iran nuclear issue. The Union has hopes that China and India can play a helpful role in dealing with Myanmar.[18]

9. Revisionist powers. Both China and India are revisionist powers.[19] India is a revisionist power in the sense of improving its standing in the global order, which "many Indians believe today that historical circumstances and failures of its past leadership have robbed it of its rightful place at the high table in the international system."[20] "As an aspiring power, India is more sympathetic to the American effort to rework the rules of the global game. ...Europe, on the other hand, is a staunch defender of the present order, where one could say it is vastly over-represented."[21]

10. Energy security. The West is increasingly concerned about China's rapidly rising consumption of raw materials and as a possible competitor for increasingly scarce resources, especially fossil fuels. The concern

is threefold: As Chinese (and to a lesser extent Indian) companies purchase overseas assets and lock up preferential access to raw materials and energy, the West perceives China as a competitor since its 'commodity diplomacy' and policy non-interference in internal affairs of authoritarian regimes in resource-exporting countries like Myanmar, Sudan, Uzbekistan and Zimbabwe creates difficulties for the West to impose governance norms of human rights and democracy.

The Germans termed these Chinese practices a "breach of international rules and behaviour".[22] Chinese unconventional and unconditional lending to pariah regimes could possibly lead to a "Beijing Club" instead of the "Paris Club".[23]

The search for energy security has led to differences over Iran's nuclear policy and over agreements with certain 'troublesome', pariah countries like Sudan, ignoring liberal norms of human rights and democracy on which the West has imposed sanctions.

China has repeatedly outmanoeuvred the Indians in their quest for oil and gas in Kazakhstan, Ecuador, Angola, Nigeria and even in neighbouring Myanmar and Bangladesh. Beijing has aggressively and systematically pursued its search for oil and gas across the globe into Latin America and Africa. This is inevitable because in order to ensure economic prosperity at a rapid rate to keep rising expectations from blowing out of control, China would have to seek markets and resources even more aggressively.

There is likely to be more competition and less cooperation between China and India in the scramble for oil and gas. Neither is willing to allow the West to constrain their autonomy in determining their developmental priorities and ensuring continued economic growth which is contingent on ensuring energy security.

11. Climate change. The International Energy Agency estimates that by 2015, China and India will become the first and third largest emitters of carbon dioxide by 2015 (with the US being the second largest). The World Energy Outlook 2007 estimates that China and India will continue to account for about 45% of the total increase in demand. While this will push up *per capita* emissions in both countries, it will still be lower than OECD countries. Before 2050, India will overtake Japan as the world's third largest net importer of oil, after the US and China.

As regards the pre-eminent question of global warming and climate change: 40% of the problem in case of carbon emissions is US and China. Both China and India will witness growing water shortage, glacier melting and its impact on river system. The West has to be careful in its diplomacy on the issue. The West is primarily responsible. India cannot be expected to make the same kind of sacrifices because India is much larger.

One should not expect Europe and the United States to do more before India and China sign up new commitments. It is not a principle that allows Indian and Chinese policy-makers to put off doing anything for 10, 20 years while meanwhile glaciers are melting. There is an enormous problem of water shortage in China as 440 out of 660 urban areas have acute problems. For a large part of the year the Yellow River does not reach the sea. In one year, it did not even get within 600 kilometres of the sea. Though the West has to move farther and furthest, India and China have to do more.

12. No common American and European approach towards Chindia. Europe tends to regard the growing Chinese market as an economic opportunity whereas the United States feels that China represents a strategic security challenge. Europe is not concerned about China's military modernisation and rising defence expenditure. This is partly because Europe is not inclined to think more strategically about Asia-related security issues because (a) Asian issues and nations are too distant for them to directly impinge on its own security; and partly (b) because the EU is not militarily present in East Asia and unlike the United States, does not play the role of an external balancer in Asia.

The Europeans are unwilling to participate in Washington's 'China-hedging' strategy and do not share the American view of India's role as a strategic counterweight to China's growing power.

13. India and China: competition and cooperation. The relentless rise of China has presented the Indian business and political community with an example and an opportunity to become an alternative, to become collaborative and to foster its own rise. In regard to China, Indian foreign policy seeks a constructive and pragmatic engagement with an emphasis on forging closer economic and trade ties. China and India are finding their own paths suited to the structures of their polities and societies. China will continue to pose difficulties in India's immediate neighbourhood economically, politically, and strategically.

Conclusion and outlook

It is difficult to say if most Europeans tend to see China as an economic threat, while India's rise is seen as a benign and stabilising development around the world. The Europeans do not seem to be unduly perturbed by the rise of China, except about increasing worries about the mounting trade deficit, which may possibly fuel protectionist sentiments. Most Europeans probably feel, as Chris Patten put it, that they should convince Washington that China should not be regarded as "a strategic threat, but a crucial partner".[24]

1. Continued economic rise not inevitable. The *BRICs Report*'s prediction about the rise of China and India is not inevitable. Nevertheless, even though both these Asian giants confront major domestic challenges, most economists tend to agree, that barring a catastrophe, the fundamentals of both economies growing at 7-8% for decades will continue. It depends on reforms in the labour sector, investment in infrastructure and continuous reform, education, etc. This is difficult to be taken as given in a fractured party system. India still has a strong consensus on weak reforms.

To varying degrees, both China and India will be relatively rich states with very large poor populations: they will have high national wealth with poor *per capita* income. Both will confront the need to balance the manifold demands of their changing and more diverse societies. In a more complex world, we will witness greater struggles over the terms of the global economy and the environment, over control of high technology and finance as well as access to natural resources. At any rate, the world's economies are incredibly large and complex and difficult to predict, especially when the speed and direction of economic change constantly changes.

2. Two development models. The rise of India and China offers two developmental models to the world, especially to developing countries: in China, development has been spearheaded by a one-party state relying on policies associated with 'managed' economies whereas economic growth in India has been an open and democratic regime in a free market economy. Many countries, particularly in Africa, welcome Chinese support as an alternative to the Western pattern of interfering in their development. China's spectacular growth is proof to many developing countries that reform and economic opening need not necessarily lead to democracy.

India is different from China, whose achievements are spectacular. But China is still a political system which is 'out of sync' with its economic, social, and technological system. A heated argument has been taking place in China in recent years: a debate between economic framers and party hardliners.

It is argued that if the Party gives up control of economy, it will lose control of the state. The modernisers, on the other hand, argue that if we don't open up economy, then we will not be able to attract foreign direct investment and we lose control of the state. Both arguments are correct. It is important that China can do this in a peaceful and stable manner. India will never have to make that choice. Democracy is the best way to deal with sustainable development.

3. Europe is very important for Chindia. The rise of China and India poses intellectual, technological, organisational, political and challenges for the West, but they also provide opportunities since they contribute to greater growth worldwide as the growing consumerist middle class makes more demands of European goods, technology, and services. European companies can become more competitive by teaming up with India and China through participating in the global value chain. Thus, as a senior

European MNC executive put it, "If you invest in China and India – you can lose. If you don't invest in China and India – you have already lost."[25]

Europe may be having problems with globalisation, but it has coped with crises before and successfully adapted to new challenges and opportunities. For both China and India, Europe remains a vital source of trade, advanced technology and foreign direct investment. Europe still generates 40% of the world's GDP. Both realise that Europe will be an indispensable partner in the future as well because it still has enormous capacity to influence the world economy and world politics.

Endnotes

1. Dominic Wilson and Roopa Purushothaman (2003) 'Dreaming with BRICs: The Path to 2050,' *Goldman Sachs, Global Economics Paper* No.99, 1 October, p.3.
2. Pew Global Attitudes Project (2007) *World Publics Welcome Global Trade – But Not Immigration: 47-Nation Pew Global Attitudes Survey*, 4 October, New York: Pew Research Center), p.5 at http://pewglobal.org/reports/display.php?ReportID=258
3. This declined by 18% in Spain, 16% in Britain, 12% in Germany and 11% in France. Opinion of China's growing economic power is decidedly negative in Western Europe, where nearly two thirds of Italians and the French believe this trend is bad for their country. Only in Sweden is there a positive view of this development. [Pew Global Attitudes Project (2007) Global Unease with Major Powers, *47-Nation Pew Global Attitudes Survey* 27 June, New York: Pew Research Center, pp.1, 6-7. http://pewglobal.org/reports/pdf/256.pdf
4. Trade Commissioner Peter Mandelson in a four-page letter to Commission President José Manuel Barroso. 'EU-China trade tensions start to heat up', *International Herald Tribune*, 6 November 2007.
5. Cited in H.S. Rao, *Kamal Nath makes a point with 'fat cows'* at www.rediff.com/money/2007/dec/14nath.htm
6. EU Institute of Security Studies (2006) *The New Global Puzzle: What World for the EU in 2025?* Paris, p.195.
7. Pascal Lamy and Zaki Laidi (2002) 'A European Approach to Global Governance', *Progressive Politics*, Vol.1, No.1, September.
8. See B.S. Chimni (2004) 'International Institutions Today: An Imperial Global State in the Making', *European Journal of International Law*, Vol.15, No.1, p.3.
9. The US has a 17% voting share (a controlling share since 85% approval is necessary for action) and the EU has a major say in the appointment of ten of the 24 members of the board. Indian Finance Minister P. Chidambaram, in a press conference in Sydney said that, the IMF's representation "must be revisited, and countries or groups of countries which are obviously over-represented must yield part of their share in favour of countries which are clearly under-represented." Though in September 2006, the IMF gave China, South Korea, Turkey and Mexico a greater voice in the body to reflect their growing economic importance, India and 22 other developing countries opposed the changes, saying they did not go far enough. They wanted a new formula for voting rights that would use national income calculated in terms of purchasing power. Meraiah Foley 'FM says he will push IMF reform at G20 meeting', *Hindustan Times*, 17 November 2006.
10. Joseph S. Nye, Jr. (2001) 'Globalization's Democratic Deficit: How to make international institutions more accountable', *Foreign Affairs*, Vol.80, No.4, July/August; p.4.
11. Emerging powers consider it inappropriate that the G8 meets for two days and the G13 for just two hours. Commenting on the G8 summit at Heiligendamm, Prime Minister Manmohan Singh remarked: "We [Outreach 5, viz. Brazil, China, India, Mexico and South Africa] were not active participants in the G8 processes. In fact, the G8 Communique was issued even before our meeting and we did make the point that in future, if similar meetings have to take place, then we should get a chance to discuss issues of our concern before the G8 meeting so that our point of view can be reflected in the thought processes of the G8. . . . we have come here not as petitioners but as partners in an equitable, just and fair management of the global comity of nations, which we accept as reality in the globalised world." Cited in Narayanan Madhavan 'G8 glass ceiling upsets India', *Hindustan Times*, 11 June 2007.
12. Yan Xuetong (2006) 'The Rise of China and its Power Status', *China Journal of International Politics*, Vol.1, p.14.
13. Cited in Vijay Dutt 'Banter at Kamal Nath's book release', *Hindustan Times* (New Delhi), 14/15 December 2007.
14. C. Raja Mohan (2007) 'Trading Places: India and Europe in the War against Terrorism', in Rajendra K. Jain, ed., *India, Europe and South Asia*, New Delhi: Radiant Publishers, p.40.
15. Even if there were evidence of strong Chinese preferences to radically reorder existing international economic and security institutions, it would not be easy. ..Changing the "rules of the game" means changing the norms or ideology of an institution. But most institutions have rules about rules; there are often procedures that govern how these norms, ideologies, and institutional purposes can be changed. . . . And not surprisingly, in many institutions these procedures tend to be highly conservative. They are designed to prevent actors whose preferences might change or new actors with different preferences from easily altering the purposes of the institution. The institutions themselves, if they are highly developed, with their own bureaucracies and sense of organizational interests and mission, will also develop decision rules and norms that prevent erosion or dilution of their power and mission." Alastair Iain Johnston (2003) 'Is China a *Status Quo* Power?' *International Security*, Vol.27, No.4, Spring, p.23.
16. G. John Ikenberry (2008) 'The Rise of China and the Future of the West', *Foreign Affairs*, Vol.87, No.1; January-February, p.32.
17. David Shambaugh, *China Engages Asia: A New Regional order?* at www.epc.eu
18. See Stephanie Kleine-Ahlbrandt and Andrew Small (2008) 'China's New Dictatorship Diplomacy: Is Beijing Parting with Pariahs?' *Foreign Affairs*, Vol.87, No.1, January-February, pp.38-56.
19. There has been some degree of debate whether China is a *status quo* power. For instance, just before becoming National Security Adviser, Condoleezza Rice argued that "China is not a *status quo* power." Condoleezza Rice (2000) "Promoting the National Interest," *Foreign Affairs*, Vol.75, No.1, January/February, p.56. Also see Alastair Iain Johnston (2003) "Is China a *Status Quo* Power?" *International Security*, Vol.27, No.4, Spring, pp.5–56.
20. C Raja Mohan (2007) in Rajendra K. Jain, ed., *India, Europe and South Asia*, New Delhi: Radiant Publishers, p.46.
21. Ibid.
22. Remarks by Michael Glos, German Minister of Economics and Technology. Cited in Bruce Stokes (2006) 'Europe and China: It's Not Just the Economy', *National Journal*, 18 November, p.41.
23. Remarks by State Secretary Boomgarten at the German-British Forum, London, 23 November 2006.
24. C. Patten, *Not Quite the Diplomat*, p.278.
25. 'The Next 20 Years: The Outlook for China and India and the Role of Europe', speech by Klaus Wucherer, Member of the Siemens Executive Board German-British Forum, London, 13 November 2006.

VII. The Shanghai Cooperation Organisation: a new regional kid on the block?

February 18 2008: The Shanghai Cooperation Organisation – made up of China, Russia and the Central Asian republics – was created in 2001 to fight the "three evils" of terrorism, separatism and extremism. Its remit has since broadened to include building regional and geopolitical security, and supporting economic integration. The EU believes the organisation still needs to find its "centre of gravity", but is seeking "concrete cooperation" with it.

Event report

Richard Weixing Hu, The Brookings Institution, Centre for Northeast Asian Policy Studies and University of Hong Kong, described how the Shanghai Cooperation Organisation (China, Russia, and the four Central Asian republics – Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan) was established in 2001.

It is still in its infancy, and while Russia views it as a discussion forum, China wants it to become a more formal international organisation.

How the SCO developed

The SCO began life as the 'Shanghai Five' in 1996-97, establishing agreements between Kazakhstan, Kyrgyzstan, Tajikistan and China and Russia on reducing military build-up and building secure borders. In 2001, the SCO was created, bringing in Uzbekistan, to fight the "three evil forces" of terrorism, separatism and extremism, to strengthen mutual trust, friendship and good-neighbourly relations, and build political cooperation for peace, security and stability.

It has a small secretariat based in Tashkent, with an annual budget of $14 million. It holds regular summits, dialogues and has set up regional anti-terrorist structures.

Its remit now extends beyond maintaining security. In the economic field, it is establishing a free trade association reaching from the Caspian Sea to Shanghai to be operational by 2023, and has created working groups on e-commerce, customs, economic and technical cooperation, transportation, investment promotion and standards' unification. It has a Development Fund, banking mechanisms and a Cooperation Entrepreneurs' Forum.

The SCO has developed cultural and social exchanges. It is also keen to strengthen geopolitical and security cooperation, has made statements on anti-terrorism and the need for a multi-polar world. In 2005, it called for the withdrawal of US bases from the Central Asian Republics. It organised small-scale joint military exercises in 2003, 2004, 2005 and 2007 – actions which have led people to describe it as a "geopolitical alliance against the West".

SCO weaknesses

As a new organisation, the SCO has several weaknesses. Firstly, apart from establishing a secure border regime, it lacks a clear function. Is it a "talking shop", or is it meant to bring "substantive co-operation?" asked Mr Hu. This lack of agreement on its role resulted in two policy crises: the first after 9/11, when it had difficulty finding a common position on whether to allow US bases on its soil. The second was in 2005, when the 'Tulip Revolution' in Kyrgyzstan raised fears about political upheavals in the region.

The SCO's basis is the 'Shanghai Spirit', defined as strengthening mutual trust, respecting each other's territorial integrity, and solving problems through consultation and dialogue.

The Russians want the SCO to become a body that boosts security cooperation, while the Chinese want it to build economic integration. Currently it lacks proper internal cohesion and regional identity, as its members belong to several overlapping regional organisations, and it must balance and accommodate the major powers both inside and outside its borders. It also lacks a "transnational social basis", as it is grounded in contrasting civilisations: Russian, Chinese, and Central Asian.

Future challenges

The SCO's first challenge is whether to concentrate on fighting terrorism or on fostering collective security. If another 'colour revolution', such as the Tulip revolution occurs, how will the SCO react? asked Mr Hu. Will it take a 'Shanghai Spirit'/ASEAN non-interventionist approach, a Russian approach of 'inaction', or a Commonwealth of Independent States' 'selective interventionist' approach?

Secondly, what will the SCO do about US military bases in Central Asia? In 2005, it asked Washington for a withdrawal timetable, yet its current approach mixes balancing and accommodating strategic interests, 'band-wagoning' or passing the buck, depending on economic interests.

The third question concerns regional economic cooperation. China wishes to discuss the region's energy resources, arguing for an Energy Cooperation Framework. Energy-rich Russia, however, wants to dominate the energy supply in the region and has downplayed this, suggesting instead an 'energy club'.

Fourthly, will the SCO expand? There are many potential members: Turkmenistan, Mongolia, Afghanistan, India, Pakistan and Iran, but without entry criteria, how can one decide who joins? It could expand in different strategic directions, such as towards south Asia, south-west Asia, or the Caspian Sea. Alternatively, it could cover greater Central Asia, or form a Sino-Russian-Indian strategic triangle.

Lastly, what kind of regional identity and architecture should the region have? Should it co-operate with the regional organisations such as the Economic Cooperation Organization or the Eurasian Eco Community, or form an SCO-Japanese alliance?

Mr Hu believed that in the future, the SCO would either evolve into a regional economic and security community or into a loose regional organisation.

The SCO – a "work in progress"

Pierre Morel, the EU Special Representative to Central Asia, said the EU took a "fairly relaxed approach" to the SCO, seeing it as neither a paper tiger, nor a threat to Western interests, but as a "work in progress", searching for its centre of gravity and balance.

The SCO was a "mirror of new trends in an unstable world" and "a barometer of a new relationship in the making", illustrating trends in the Eurasian "double continent", he said. Rather than looking at "the Grand Design", the EU looks at the facts, likening the SCO's 'confidence-building measures' to the Union's past method of giving support to Central and Eastern European countries.

Mr Morel said that, having observed developments on its Western flank in the form of the Organization for Security and Co-operation in Europe (OSCE), Russia is pursuing an OSCE approach for Asia. Moscow believes it is better to control military forces than waste money on mutual confrontation. From Beijing's viewpoint, the SCO helps China avoid confrontation with Russia and the Central Asian Republics.

By developing the concept of fighting 'the three evils' – terrorism, extremism and separatism – the Chinese, in particular, hope to control upheavals on their borders, such as the 1990s' calls for separatism in the Central Asian Republics. Since the SCO's formation, militant separatist activity in Central Asia has noticeably calmed down.

The events of 9/11 were a "turning point" in SCO relations, said the EU's Special Representative. Russia took a pragmatic approach to US intervention in the region, while the Chinese wanted to become involved in fighting terrorism. Since then, the SCO has become more political, although it is moving forward cautiously, deliberately omitting any mention of basic principles in public statements.

The EU Special Representative felt that the SCO was at the crossroads - unable to decide whether to enlarge its membership and its functions. Its current trend is to maintain steady progress, with Moscow stressing its security aspects and Beijing the importance of economic integration.

The EU takes an "operational" approach, seeking concrete cooperation. While it does not wish for a Memorandum of Understanding with the SCO, it wants to develop an EU-SCO dialogue to help stabilise the governance of the "uncompleted" Central Asian Republics and to fight narco-trafficking in the region.

Discussion

Asked about the SCO's plans for cooperative security, Mr Hu said it is promoting a new security concept of addressing the root cause of conflict by building mutual trust and good neighbourhood relations.

Mr Morel said that while the SCO wanted to build secure information networks, it was not a particularly secret organisation and its current apparently closed attitudes stemmed more from its being overwhelmed by its successful beginning.

Asked what Central Asian Republics want from the SCO, Mr Hu said they hope to build "multiple avenues" which will link them with the major powers and improve relations with the West.

Asked about the US reaction to the SCO, Mr Hu said Washington wants to keep its military bases in the region, while China and Russia and the Central Asian Republics want a timetable for their withdrawal. Mr Morel stressed that these bases are indispensable for activity in Afghanistan, and are needed for the United Nations' international mission.

Questioned about maintaining 'regime stability', Mr Hu explained that the SCO's own stability depends on stability in the Central Asian Republics. If another 'colour revolution' occurred, he hoped neither Russia nor China would interfere. Mr Morel said the EU wants to see more institution-building and reinforcement of the rule of law in the "uncompleted states" in Central Asia, as this is the best guarantee for peace.

Asked about Japanese reactions to the SCO, Mr Morel believed Tokyo is taking a discrete but pragmatic approach, with annual Japan-SCO meetings. Mr Hu said that in 2007, Tokyo proposed an "arch of stability and prosperity", and wants to use economic leverage to bring about peaceful transition in Central Asia.

Asked about drug trafficking in the region, Mr Morel said Afghanistan's poppy cultivation and heroin production is destabilising the region, and has worsened over the last five years. Afghanistan is now producing heroin using imported chemicals, so far greater cooperation between countries was needed to stop this.

Keynote speech: Shanghai Cooperation Organisation (SCO) – future prospects and challenges ahead

By Richard Weixing Hu, The Brookings Institution/University of Hong Kong

Is the SCO a new regional kid on the block? The phrase "a new kid on the block" tends to remind people that a new bully or a "revisionist" state is arriving in the neighborhood and is going to challenge the existing powers in the region.

I think it is a little overstatement of the case of the SCO in Central Asia. Why is it not the case? We need to give it a relatively objective assessment before we can draw any conclusions about the SCO challenge to regional politics.

I. Assessing the SCO's achievements and weakness

I want first give a brief outline of the SCO's major achievements and weakness.

In the last seven years, the SCO's major achievements are in three areas: (1) Establishing a Border Security Regime and transforming the 'Shanghai Five' into the SCO; (2) Security and Functional Cooperation against the so-called three "evil forces"; (3) Institutional Capacity Building, from regular summits to 13 different dialogues, and the operation of the SCO Secretariat in Beijing and the SCO Regional Anti-Terrorism Structure (RATS) in Tashkent.

The SCO was an offspring from the 'Shanghai Five' (Russia, Kazakhstan, Kyrgyzstan, and Tajikistan, plus China), a grouping that grew out of the negotiations to resolve the left-over border issue between the former Soviet Union and China. It was largely a Sino-Russian initiative to work as a forum to discuss confidence-building measures (CBMs) and the demarcation issue in the former Soviet-Chinese border region.

The border negotiation began in the late 1980s and lasted beyond the time when the Soviet Union was dissolved in 1992. After finishing up the border demarcation business, it evolved into a forum discussing measures to prevent would-be military conflicts and resolve territorial issues in the border area.

The CBMs, largely learned from the European COSC experiences, included: armed forces' reduction in the border area, exchanges of information of military activities along the border, and confidence-building in the military field. Two regular committees – one for confidence-building and arms reduction and one for joint boundary demarcation – were set up in 1993 to oversee these CBM activities.

In 1996, the 'Shanghai Five' signed the Shanghai Agreement on military confidence building in the border areas. They agreed to stabilise their border areas by establishing non-military zones and promising to exchange military information. The overall effectiveness was dubious, but it did represent a symbolic step toward peace and cooperation on the Sino-Central Asian border, which had been historically plagued by severe military conflicts and a deep-rooted mutual distrust.

Another major achievement was the leaders of the 'Shanghai Five' met in Moscow in February 1997, and signed an agreement on the mutual reduction of armed forces along the border area, upgrading the level of "stability and trust". The Moscow Agreement set limitations for arms and personnel within 100 kilometres of the former Sino-Soviet border, and allowed for mutual inspections.

On June 25, 2001 when the SCO was formally launched in Shanghai, Uzbekistan was brought on board, becoming one of the founding members of the organisation. A few years later India, Iran, Mongolia and Pakistan acquired the status of the SCO's observer members. As its membership expanded, the SCO's original geographic and political ambition was extended to regional cooperation beyond the shared borders and regional economic cooperation.

On the economic cooperation front, the main achievement in 2003 was to set a potential target date for a regional free-trade area (SCO FTA) of 2023. Some 127 joint projects were identified; five working groups established to work on e-commerce, customs, transportation infrastructure, investment promotion, and standards' unification issues. The SCO leaders also agreed to establish an SCO Development Fund, Banking Coordination mechanisms, and an Entrepreneurs Forum.

Is the SCO a geopolitical security organisation? Although its leaders' meetings have issued several statements on anti-terrorism, calling for a multipolar world order, a common position on the Afghanistan issue, and requesting Washington to have a clearly defined timeframe for its bases in Central Asia, it was not designed

as a security and military alliance, and probably will not become one either. The media coverage of its joint military exercises in 2003, 2004, 2005 and 2007 tended to exaggerate its geopolitical implications for the Western world.

As a loose regional cooperation organisation, the SCO suffers some major weaknesses. It is not just because it's a new organisation, but also because of its ambiguous mission. First, apart from establishing a secure border regime, it lacks a clear function. Is it a 'talking shop'', or is it meant to bring 'substantive co-operation?'

This lack of agreement on its role resulted in two policy crises: the first after 9/11, when it had difficulty finding a common position on whether to allow US bases on its soil. The second was in 2005, when the 'Tulip Revolution' in Kyrgyzstan raised fears about political upheavals in the region.

The SCO's operational principle is its so-called 'Shanghai Spirit', defined as strengthening mutual trust, respecting each other's territorial integrity, and solving problems through consultation and dialogue. It is close to what we have known as the "ASEAN Way" of cooperation.

The SCO members also have different ideas about where it goes from here. The Russians want the SCO to become a body that boosts security cooperation, while the Chinese want it to build economic integration.

Currently it lacks proper internal cohesion and regional identity, as its members belong to several overlapping regional organisations, and it must balance and accommodate the major powers both inside and outside its borders. It also lacks a 'transnational social basis', as it is grounded in contrasting civilisations: Russian, Chinese, and Central Asian.

II. The SCO: challenges ahead

There are several challenges for the organisation as it is growing up. The first challenge is whether it can concentrate on fighting terrorism or on fostering collective security.

As the crisis in 2005 showed, if another 'color revolution', such as the Tulip revolution occurs, how will the SCO members react, individually and collectively? Will the SCO follow the 'Shanghai Spirit' or use the 'ASEAN Way' of a non-interventionist approach to deal with this kind of regional crisis? On this issue, Moscow and Beijing may have different views.

Given its traditional ties with Central Asian states, Moscow may prefer a selective interventionist approach, i.e. a Commonwealth of Independent States' interventionist approach to deal with the crisis, while keeping the Chinese away from the centre of the problem.

Another challenge is what to do about US military bases in Central Asia. In 2005, it asked Washington for a withdrawal timetable, yet its current approach mixes both balancing and accommodating Washington, and Central Asian states, for strategic and economic interests, sometimes prefer 'band-wagoning' or buck-passing strategies, depending on how their bilateral relations evolve with the three major powers (Russia, China, and the United States).

The third question concerns regional economic cooperation. China wishes to discuss the region's energy resources, arguing for an Energy Cooperation Framework. Energy-rich Russia, however, wants to dominate the energy supply in the region and has downplayed this, suggesting instead an 'energy club'.

The SCO expansion poses another a challenge for the organisation. There are several potential members: Afghanistan, India, Iran, Mongolia, Pakistan and Turkmenistan but without entry criteria, how can they decide who joins? Turkmenistan should be a 'natural' SCO member but it prefers to stay outside due to its neutrality status in international affairs. India and Iran, though only observer states, approach the SCO in a way similar to Uzbekistan. India shares a border with China, but not with Central Asia while Iran's neighboring countries include Iraq, Pakistan, Afghanistan, and Turkmenistan – nations far removed from the 'Shanghai spirit'.

They have less at stake with regard to the SCO, and use it differently than the original members. Mongolia and Pakistan do share the original interest in border issues, but they also perceive the utility of the organisation in different ways. Strategically, the SCO needs to think through what strategic directions it wants to take. It could expand in different strategic directions, such as towards south Asia, south-west Asia, or the Caspian Sea. Alternatively, it could cover greater Central Asia, or form a Sino-Russian-Indian strategic triangle.

No matter what new members the SCO will admit or whichever strategic direction it decides to go, one of the fundamental challenges it cannot neglect is how to increase its internal cohesion and construct a regional identity among its members. Central Asia is an area for a new type of 'Great Game' today.

It has multiple regional institutions: ranging from SCO, CIS, CIS Collective Security Organization, Eurasian Eco Community, Guam, Economic Cooperation Organization (Iran-centered) to Central Asia+Japan, Euro-Atlantic Partnership Council and Partnership for Peace (PfP). So how to build a regional organisation loyalty is a big potential challenge.

III. The SCO's future prospects

There could be three scenarios for the future of the SCO. I think that on a spectrum with two extreme possibilities (a political/military alliance and a loose regional organisation), the likely prospect is an enhanced regional organisation.

VIII. ASEAN at a crossroads: a new lease of life at 40?

March 10 2008: ASEAN has helped to keep regional peace over the last 40 years through its guiding principle of non-intervention in members' affairs. However, at times, its "soft-peddling" on potential regional disputes means they are left unresolved – and this approach remains unchanged in the new ASEAN Charter. The EU nevertheless believes ASEAN has significant potential, and is providing financial support to help close the development gap between ASEAN members.

Event report

Barry Desker, Dean of S. Rajaratnam School of International Studies and Director of the Institute of Defence and Strategic Studies in Singapore outlined ASEAN's key achievements over the last 40 years.

He said that the organisation (the ten-member Association of Southeast Asian Nations) had:

- kept the region peaceful through its "lowest common denominator approach" of creating cooperation and encouraging informal ties between members;
- kept the strategic sea-lanes of communication (Straits of Malacca and Singapore) open to international trade and shipping;
- set up a fledgling Single Market to encourage free flows of trade and investment and free movement of skilled labour and capital by 2020;
- created a successful multi-cultural entity, encompassing states with Muslim, Buddhist and Christian majorities, and fostered a more moderate branch of Islam than in the Middle East;
- developed an Asian-Pacific security architecture and facilitated dialogue through various fora in the region.

The ASEAN Charter

Mr Desker said that while the new ASEAN Charter was a positive development, it was also a disappointment as it merely codified existing norms. It had stuck to ASEAN's guiding principles of non-interference and non-intervention, allowing each member country to forge its own (post-colonial) identity, but had made little other progress.

While the Charter has given the organisation a legal framework, with a clear set of principles and goals, ASEAN's integrity has been compromised by Myanmar's participation, since while the Charter stresses the rule of law, good governance, democracy and constitutional government, these are all aspects which Myanmar continually flouts.

The Charter has also failed to take on board the new international norms which argue that countries have a right to intervene in other states' domestic affairs if they contravene agreed values of what is right and wrong.

In terms of its *modus operandi*, the Charter continues the ASEAN principle of working by consensus, rather than by binding agreements, even though this has been relatively ineffective in the past. It also introduces a new procedure whereby a single member can now veto moves towards greater economic liberalisation or integration. This, said Mr Desker, was a retrograde step from the previous ASEAN practice whereby some members could decide to move towards greater integration without unanimous agreement.

Another organisational shortcoming concerns ASEAN's democratic machinery – this acknowledges the usefulness of the ASEAN Inter-Parliamentary Assembly (AIPA), but fails to give it any democratic power.

However, on the positive side, the ASEAN Summit is now the supreme policy-making body and will meet twice-yearly, and there will also be a Coordinating Council of Foreign Ministers, which will meet

twice-yearly. The secretariat has been strengthened, although there will be no additional finance to support its extended role.

The Charter has to be ratified by all ten members to become operational, but Mr Desker doubted whether either Indonesia or the Philippines would agree – Indonesia because of criticisms of the ASEAN bureaucracy, and the Philippines because of concerns about the continued detention of Daw Aung San Suu Kyi in Myanmar.

An Asian model of development?

Renewed self-confidence in East Asia, coupled with the rise of China, has opened a debate on replacing the 'Washington Consensus' (stressing the importance of free trade and individual human rights) with a 'Beijing consensus' (which places more importance on the state than the individual). Asian leaders and thinkers with their own philosophical traditions will increasingly shape the discourse.

In adopting this Charter, ASEAN leaders have continued the 'ASEAN method of decision-making' designed to ensure its members' security, and have shunned initiatives which might undermine this.

David Fouquet, Director of the Asia-Europe Project, agreed that ASEAN had achieved much, although not as much as had been hoped, as in many multilateral negotiations it had been forced to make compromises.

ASEAN has used a 'soft power' approach towards security issues, "soft-peddling" and backing off from a hard negotiating stance over the geopolitical hotspots in the region, as a result of which these remain unresolved.

One of the main potential areas of friction in the region concern territorial maritime issues, said Mr Fouquet. As ASEAN has sought to solve the Vietnamese and Taiwanese disputes with China over ownership of parts of the South China Sea in a "gentlemanly way", disputes continue to flare up. He pointed out that several European states are actually supplying arms to the countries in the disputes, and suggested they might do better to provide good offices for negotiating a peaceful resolution.

There is also pressure to develop the oil and natural gas fields and the fishing grounds in the maritime regions, which is likely to increase the potential for friction and boost the need to a quick solution.

Given the importance of ensuring the free flows of maritime traffic through the region, the issues might best be solved through an open constructive dialogue, bringing in outside partners such as Japan, the US or Australia.

Seamus Gillespie, Head of Unit, South-East Asia Desk, Directorate-General for External Relations, European Commission, pointed out that in Asia being 40 was seen as the beginning of the age of wisdom, so this was a good moment for ASEAN.

With a population of 600 million, ASEAN has the potential to make economies of scale and to strengthen its arm on the diplomatic front, acting as an "honest broker" and a force for regional stability.

As an organisation, ASEAN is a "process" influenced by ten countries at different stages of development, and the process is based on a post-colonial desire not to interfere in another country's sovereignty.

ASEAN leaders want their populations to have a decent quality of life and employment, and this is likely to hasten the establishment of an ASEAN Single Market and encourage more political integration.

As to Burma/Myanmar and the ASEAN Charter, Mr Gillespie foresaw two possibilities – either ASEAN views Burma as an embarrassment or it uses the Charter to leverage the authorities to move in the right direction. The EU also hopes to exert pressure on the country to meet the benchmarks agreed at the EU-ASEAN Summit.

The EU currently gives considerable support to south-east Asia, including funds directly to ASEAN over the current seven-year period to help close the development gap between its members. While ASEAN's record on poverty eradication and providing new economic perspectives for its peoples is impressive, income inequality and corruption are increasing, so the EU is working with ASEAN to dispel these problems.

As to a 'Washington' or 'Beijing' consensus, Mr Gillespie believed that ASEAN was more open to discussions on human rights and quality of life than China. He doubted whether a Beijing consensus would provide a template for the region, as ASEAN might be better at addressing the issues in its own terms.

Discussion

Asked about ASEAN signing up to a "spaghetti bowl" of free trade agreements (FTAs) in the region, Mr Desker said that when a new World Trade Organization negotiating round was launched in 1996, the EU had blocked agreements that could damage its Common Agricultural Policy (CAP) and refused to debate several issues. In 1999, when ASEAN feared that it would lose out in negotiations, it had gone for the "second best option" – to negotiate FTAs in the region.

Mr Gillespie disagreed with this interpretation, saying that if the EU made sacrifices on the CAP, it was reasonable to negotiate something in return. The Doha Round was not dead, but given the lack of movement, the EU had resumed bilateral agreements, although he believed that the current EU-ASEAN FTA negotiations should be more ambitious than just dealing with measures on tariffs and services.

Mr Fouquet believed that ASEAN provided another model of cooperation, integration and compromise, and had developed a "home-grown" consensus on how to build sub-regional integration. Mr Gillespie dismissed the idea of 'Asian' and 'European' values, noting that over the course of history, civilisations had interacted and influenced each other.

Questioned abut ASEAN's relation with Myanmar/Burma, Mr Desker said ASEAN had little clout with the country's leadership. Condemning the junta's behaviour was a "feel good" issue for the EU and the US, which ignored the Saudi Arabian government's behaviour even though it was worse in many respects, while some companies like Chevron continued to invest heavily in Myanmar. He agreed that ASEAN had not been very successful in persuading the junta to change course, and felt it was now a United Nations' issue.

Mr Gillespie said the EU had introduced sanctions as well as developing humanitarian assistance programmes to help the population. As ASEAN proclaims that it is "a family", it should encourage the Burmese authorities to take a more positive course. At the EU-ASEAN Summit, the EU had asked for the release of political detainees and for a more inclusive domestic political dialogue. Mr Fouquet believed that Myanmar/Burma's behaviour was a challenge for ASEAN, which should draw up a roadmap that guided it towards democracy.

Asked whether ASEAN integration could learn from the EU, Mr Gillespie believed it was not a blueprint, but the EU experiences did throw up certain lessons. Mr Desker believed that East Asian integration was moving forward faster at the economic level, as 50% of trade within the region was between east Asian countries and this would increase.

Keynote speech: Is ASEAN at a crossroads?

By Barry Desker, Dean, S. Rajaratnam School of International Studies, Nanyang Technological University, Singapore

On 20 November 2007, at their annual summit in Singapore, the ASEAN Heads of Government adopted the ASEAN Charter. My starting point is that the ASEAN Charter is a positive development, it moves

ASEAN ahead. But it is a disappointment. We did less than we could have done and in fact in some areas, we have even gone backwards.

The thrust of my analysis is that ASEAN was at a crossroads but with the adoption of the ASEAN Charter, ASEAN decided on the codification of existing norms and the maintenance of its historical identity as an inter-governmental organisation.

Achievements of ASEAN

However, it is important that we first evaluate ASEAN's record over the past forty years since ASEAN was established in August 1967. The principle of non-interference and non-intervention enunciated in the 1967 Bangkok Declaration helped each ASEAN state to develop its own identity in the first years of ASEAN's existence.

The primary concern of each member was that it should be allowed to forge its own post-colonial identity. Memories of Indonesia's *Konfrontasi* policy towards Malaysia and hostility to post-independence Singapore, the bitter Singapore separation from Malaysia, the Philippines' claim to Sabah and Thai fears of spill-over from the conflicts in Indochina shaped ASEAN's handling of domestic developments in the region.

An emphasis on developing mutual confidence, understanding the different perspectives of each member and creating an awareness of the regional environment and regional sensitivities marked interactions in the early years of ASEAN's evolution. In 1967, ASEAN leaders and policy makers were more attuned to the political environment of the former metropolitan countries and needed to become familiar with their neighbours.

I share my good friend Tommy Koh's assessment of five key achievements of ASEAN. Firstly, ASEAN has kept the region peaceful. ASEAN's 'lowest common denominator' approach has created a habit of cooperation, promoted the development of informal understandings and provided the basis for growing ties among its members.

It also enabled Vietnam, Myanmar, Laos and Cambodia to adjust quite easily and to build bridges to the original ASEAN members when they sought membership of ASEAN in the 1990s with the end of the Cold War. ASEAN's success in creating a region of peace today in a zone of conflict and contention during the Cold War is not an insignificant achievement, especially as south-east Asia is not a homogenous entity but is a hodgepodge of ethnicities, religions, cultures and languages, with varying levels of economic development.

A second achievement of ASEAN has been to ensure that the strategic sea-lanes of communication have remained open to international trade and shipping. The Straits of Malacca and Singapore are among the most critical global choke points which have remained open because of the commitment to international law by the littoral states.

Two examples suffice to highlight the significance of the Straits of Malacca and Singapore to international shipping. First, oil flows through the Straits are three times greater than the Suez Canal/Sumed pipeline and fifteen times greater than oil flows through the Panama Canal. Secondly, two-thirds of the tonnage passing through the Straits consists of crude oil from the Persian Gulf bound for Japan, South Korea and, increasingly, China. More than half of the world's shipping tonnage passes through the Straits.

The International Maritime Organisation (IMO) estimates that if for some reason the Straits were closed, all excess shipping capacity would be absorbed, "with the effects being strongest for crude oil shipments and dry bulk cargoes such as coal….. [which] could be expected to immediately raise freight rates worldwide."

The three littoral states were the first IMO members to agree to implement Article 43 of the United Nations Law of the Sea Convention (UNCLOS) by establishing a cooperative mechanism open to user states as well as littoral states and other stakeholders, which promoted the safety of navigation in the Malacca and Singapore Straits and protected their maritime environment from pollution by ships.

Third, ASEAN has successfully created a single market. By 2020, ASEAN will have achieved complete free flows of trade and investment as well as free movement of professionals and skilled labour and freer capital movements. Faster progress in the liberalisation of trade in services is also likely to be achieved compared to the GATS (General Agreement on Trade in Services) negotiations in the WTO.

There is a continuing ASEAN interest in global trade liberalisation and support for a deregulatory approach to trade issues at the WTO, in contrast to the EU position which regards regulatory issues as the focus of the WTO in the years ahead. The ASEAN stance reflects their outward-looking economies which have benefited from openness to the global economy. The ASEAN region is a major base for the distributed manufacturing and export of parts and components, especially in the electronics sector, through investment by multi-national corporations.

As trade liberalisation at the WTO slowed down, ASEAN as well as its member states have also concluded bilateral and regional trading arrangements and economic partnerships with external economies such as Australia, China, India, Japan, New Zealand, South Korea and the United States.

Fourth, ASEAN is a successful multi-cultural entity. While one of the major debates in Europe is whether Turkey should join the EU as it will be the first member with a Muslim majority, ASEAN is a grouping encompassing states with Muslim, Buddhist, Christian majorities as well as those which are avowedly atheist.

Most significantly, in this post-9/11 world, Islam in the region is more moderate and accommodating of other religious beliefs compared to trends in the Middle East. As south-east Asia has more Muslims than the entire Middle East, greater attention should be paid to the region as it could lead to an avoidance of stereo-typing of Muslim beliefs and outlooks.

At the same time, although a confusing mixture of languages is spoken, ASEAN took a decision at its formation to conduct all its business in English (and has been surprised when there are European interlocutors who sometimes insist on addressing ASEAN meetings in their native languages although competent in English).

Fifth, ASEAN has played a major role in the development of an Asia-Pacific security architecture as a facilitator of dialogue through the ASEAN Regional Forum (ARF), the convenor of regional forums such as the East Asian Summit and the ASEAN+3 process (involving China, Japan and South Korea) and as a key partner in the conceptualisation and implementation of the Asia Pacific Economic Cooperation (APEC) forum.

ASEAN's lengthy exposure to protracted negotiations and emphasis on informal consultations leading to consensual agreements has been the critical factor in ASEAN's success in giving birth to these new institutions. At the same time, as a neutral grouping of smaller states, ASEAN did not pose a threat as a partner and interlocutor.

Myanmar and the ASEAN Charter

But I must respectfully part company with Tommy Koh on his assessment of the recently concluded ASEAN Charter. I agree with Tommy that the Charter is significant as it provides ASEAN with a legal framework after 40 years of soft institutionalisation. It establishes a set of rules and the new structures should strengthen ASEAN institutions through the formal role accorded to the ASEAN Summits as well as the establishment of ASEAN Communities comprising the ASEAN Security Community, ASEAN Economic Community and ASEAN Socio-Cultural Community.

Each ASEAN member will also appoint an Ambassador as a Permanent Representative based in Jakarta to liaise with the ASEAN Secretariat. A clear set of principles and goals governing the organisation have also been set out.

However, I am concerned that the participation of Myanmar in the adoption of the ASEAN Charter has undermined this effort. The ASEAN Summit was preceded a month earlier by a bloody crackdown on

demonstrators in Myanmar and the Myanmar government systematically opposed efforts to provide a forum for the UN Secretary-General's Special Representative Ibrahim Gambari to address the ASEAN leaders at the Summit.

It was a reminder that the 1997 ASEAN decision to unconditionally admit Myanmar under the current military leadership was a mistake. Myanmar took shelter under ASEAN's wings but there was no commitment by the Myanmar junta to open up the economy or to restore its fledgling democracy. Frankly, Myanmar has been an albatross around ASEAN's neck over the past decade.

ASEAN broke new ground on 27 September 2007 when the ASEAN Foreign Ministers agreed to a statement by the current ASEAN chair, Singapore's Minister for Foreign Affairs George Yeo, that they were appalled to receive reports of automatic weapons being used to quell the demonstrations in Myanmar and demanded that the Myanmar government immediately desist from the use of violence against demonstrators. They strongly urged Myanmar to seek a political solution, to work towards a peaceful transition to democracy and called for the release of all political detainees including Daw Aung San Suu Kyi.

ASEAN's credibility would have been enhanced if it had decided on the suspension of Myanmar at the ASEAN Summit since it would have allowed ASEAN to move ahead with a forward-looking Charter. Key principles of the Charter call for adherence to the rule of law, good governance, democracy and constitutional government as well as respect for fundamental freedoms, the promotion and protection of human rights and the promotion of social justice.

What ASEAN needs to agree on is what it would do if a member blatantly flouts these conventions. By proceeding to adopt the Charter with Myanmar's participation, ASEAN opened the way for criticism of its future approach to these key principles. As long as Myanmar is part of the highest councils of ASEAN, the region will have a credibility problem when it seeks to address issues of humanitarian concern elsewhere around the globe.

Not only has the junta failed to ensure Myanmar's economic development, it has made no effort to build a cohesive society or ensure a political transition from military rule. The pauperisation of the country is evident to anyone who travels through Myanmar. Myanmar will continue to be a major stumbling block for ASEAN as the regional grouping seeks to build international credibility. Recently, the Myanmar government announced that it will hold a general election in 2010 in accordance with a new state constitution to be adopted in a referendum in May 2008.

Myanmar Foreign Minister U Nyan Win informed fellow ASEAN foreign ministers that Daw Aung San Suu Kyi would not be eligible to stand for election as a parliamentary candidate because she is a Myanmar national who had been married to a foreigner and has children who are not of Myanmar nationality.

The process of adopting the new constitution, the rules governing the elections, the decision to effectively ostracise Daw Aung San Suu Kyi and the role of the armed forces following the elections will result in the continuing opposition of the Western states to restoration of ties with the Myanmar government. Myanmar's presence as part of ASEAN will be an issue bedevilling ASEAN ties especially with the United States and the EU.

Why the ASEAN Charter determines ASEAN's future

The decision to adopt the 'ASEAN Way', which prioritises agreement by consensus on a conservative document, undercut the forward-looking approach taken by the Eminent Persons Group appointed by the ASEAN leaders, who took a bold and visionary approach to strengthen ASEAN. While I hope that with the adoption of the Charter, ASEAN will increasingly adopt a rules-based regime there is no assurance that ASEAN compliance with its rules will be any better than its practice during the preceding forty years when only 30% of ASEAN agreements were implemented.

A second issue of concern is that despite a series of three meetings before the ASEAN Summit, no agreement was reached on the terms of reference for an ASEAN human rights body, even though there is a provision to establish such a body in the Charter. It is likely that the terms of reference which will be adopted at the annual ASEAN Foreign Ministers Meeting in July 2008 will result in "a body which, while lacking in teeth, will at least have a tongue, and a tongue will have its uses", to quote the Foreign Minister of Singapore George Yeo.

The problem for ASEAN is that it is locked in a Cold War policy paradigm emphasising non-interference and non-intervention in the domestic affairs of states when there has been a shift in global and regional norms.

The third deficiency of the Charter is the most critical. Previously, ASEAN economic ministers had adopted the practice of allowing member states to agree on economic liberalisation agreements on the basis of "10 minus x" or "2 plus x" principle. This allowed those members of ASEAN that wished to embark on cooperative initiatives at a pace faster than other members to go ahead.

However, in the new Charter, the "ASEAN minus x formula" and other formulae for flexible participation only operate when there is a consensus to do so. This is a retrograde step because it gives each member a veto. It allows any member to block the process of faster regional integration when it is uncomfortable with new initiatives or new directions for regional cooperation. Put simply, ASEAN could be left at the mercy of a single member state each and every time it seeks to effect change.

One note-worthy development is the decision to formalise the role of the ASEAN Summit, which shall be the supreme policy-making body of ASEAN and shall meet twice a year. This development is a welcome initiative that provides a legal basis for decision-making at the summit level. The Charter also provides for an ASEAN Coordinating Council comprising the ASEAN Foreign Ministers which shall meet twice a year.

This provision was not part of the Eminent Persons Group Report which envisaged the three Ministers handling security, economic and socio-cultural issues reporting directly to the ASEAN Summit. My assessment is that this reflected foreign ministry policy-makers clawing back authority to decide the future direction of ASEAN and the ability to oversee the work of the three Councils of Ministers.

The emphasis on bureaucratic dominance of the ASEAN machinery is also seen in the lack of oversight and governance by elected representatives of ASEAN states. The ASEAN Inter-Parliamentary Organization (AIPO) was created in 1977 to meet the collective goals of ASEAN in an inter-parliamentary setting.

It was subsequently transformed into an assembly in 2007 and the newly re-named ASEAN Inter-Parliamentary Assembly (AIPA) was meant to be a more "effective and closely integrated institution". However, AIPA is far from an EU parliament or the UN General Assembly. It could do little in the face of the suspension of parliament in Thailand following the coup against the Thaksin administration in Thailand, military rule in Myanmar and the absence of an elected legislature in Brunei. Instead of empowering AIPA, the ASEAN Charter has given no formal role for it.

On a positive note, the Charter also included provisions for the strengthening of the ASEAN Secretariat and the appointment of four Deputy Secretary-Generals, two of whom would be appointed on the basis of alphabetical rotation and two openly recruited based on merit. This development could increase the ASEAN Secretariat's capacity for over-sight and ability to implement policy. However, no additional budget was provided. In fact, each member state makes an equal contribution pegged on the scale for the lowest contributor. The result is that it will be very difficult to build an effective secretariat and to recruit staff on a competitive basis.

Finally, if you look at the language of the Charter, it only enters into force with ratification by all ten members. My assessment based on the current situation is that we are unlikely to get the ratification from the ten members. Indonesian ratification is likely to be contentious because of criticism by sections of the Indonesian parliament on the dominant and continued role of ASEAN bureaucracies in the ASEAN process. The Philippine President Gloria Macapagal Arroyo warned her fellow heads of government that unless Myanmar committed

itself to democratic reforms and released Daw Aung San Suu Kyi, her country's Congress was unlikely to ratify the Charter. So the Charter stands the risk of being a dead letter.

An emerging 'Beijing Consensus'

The renewed self-confidence in East Asia today and the awareness that the era of US pre-eminence in East Asia is drawing to a close is likely to give rise to a revived debate over the validity of claims for an Asian model of development and the significance of Asian values in shaping Asian responses to global and regional developments.

The debate within ASEAN on the future role of the organisation and the stance to be taken on emerging issues on the regional and global agenda reflect a larger debate that has engaged attention internationally. Since the demise of the Soviet Union and the emergence of the United States as the sole superpower in the 1990s, attention has been drawn to the existence of a 'Washington Consensus' in favour of elected democracies, the sanctity of individual political and civil rights, support for human rights, the promotion of free trade and open markets and the recognition of doctrines of humanitarian intervention.

However, the rise of China and a revival of confidence in Asia's growth paradigm is likely to see the articulation of a case for a 'Beijing Consensus' founded on the leadership role of the authoritarian party state, a technocratic approach to governance, the significance of social rights and obligations, a re-assertion of the principles of national sovereignty and non-interference, coupled with support for freer markets and stronger regional and international institutions. One example of this trend in practice has been the consensus embodied in the ASEAN Charter.

Just as Western dominance in the past century led to Western ideas shaping international institutions and global values, Asian leaders and Asian thinkers will increasingly participate in and shape the global discourse, whether it is on the role of international institutions, the rules governing international trade or the doctrines which under-gird responses to humanitarian crises.

The argument that there is an emerging 'Beijing Consensus' is not premised on the rise of the 'East' and decline of the 'West', as sometimes seemed to be the sub-text of the earlier Asian values debate. However, like the Asian values debate, this new debate reflects alternative philosophical traditions. The issue is the appropriate balance between the rights of the individual and those of the state.

The final outcome of months of debate on the ASEAN Charter reveals the likely impact of the maintenance of consensual decision-making within ASEAN – a conservative approach will be adopted and it is unlikely that ASEAN will move in the direction of a people-centred organisation envisaged in the Eminent Persons Group Report.

Is ASEAN at a crossroads?

What does this long process of consultations leading to the adoption of the ASEAN Charter and the resulting document tell us about ASEAN? My contention is that the outcome demonstrates that ASEAN remains a diplomatic community. It has been very effective in preventing inter-state war in south-east Asia and increasing mutual confidence among the governments of the region. However, contrary to the claims that ASEAN will increasingly be a people-centred organisation, it continues to function as an inter-governmental organisation.

Like the EU, there is a basic difficulty in reaching out to the peoples within the ASEAN states, even while policy-makers act on behalf of "the people". Interestingly, however, if the governments of south-east Asia had held referendums on the adoption of the ASEAN Charter, the likelihood is that there would be strong popular support for Charter ratification. Trust in political leadership and support for foreign policy initiatives undertaken by their respective governments continue to characterise political debate in south-east Asia, even as the region's governments are reluctant to allow public or civil society decision-making on ASEAN issues.

ASEAN was at a crossroads in the lead-up to the adoption of the ASEAN Charter. However, in their wisdom, ASEAN leaders decided not to break new ground along the radical lines proposed by the Eminent Persons Group (EPG). Instead, the Charter focused on the codification of existing norms.

The 'ASEAN Way' of decision-making by the lowest common denominator will continue. The focus will be on ensuring the security and stability of the regimes ruling member states and no initiatives will be taken that may be seen as undermining any of the existing governments. Myanmar's presence has paralysed ASEAN. The handling of the Myanmar issue at the ASEAN Summit is a symbol both of ASEAN's inability to move forward as well as a major reason why ASEAN has not been able to head in a new direction.

To quote political science jargon, ASEAN will continue on a trajectory of historical path dependence!