5. Conclusion

The preceding pages were devoted to an issue-specific study of the global prospects of South and Southeast Asia vis-à-vis certain economic and security priorities. Certain conclusions and suggestions evolved from such a study, some of which have been elaborated below.

The main international developments in the recent past that have also affected the major premises of my research include the financial crisis being faced by a majority of Southeast Asian countries since mid-1997, and the nuclear tests conducted by both India and Pakistan by way of asserting their nuclear clout in May 1998. In the light of these occurrences, the following arguments evolve, some of them in defense of my research hypothesis.

Having analysed some of the emerging trends in the post-Cold War era starting 1990 onwards, there is no doubt that the twenty-first century belongs to the Asian continent. It is also obvious that the countries of the Southeast take the lion's share in terms of the continent's social, economic and political progress. These are basically the ASEAN countries, Japan and others which are categorised under the dynamic Asia-Pacific Rim. Further, the way China is progressing, it is already at the doorsteps of becoming an economic superpower. Not merely by virtue of being the neighbour of such a region, but also with the launching of economic liberalisation in 1991, India too, can look more attractive to the rest of the world. This would automatically widen India's prospects of catching up with the rest of the continent in terms of regional stability and development. No wonder then that experts have often suggested in this context that India would do well in its efforts to become an economic giant if only it started looking more to the East than merely continuing to ape the West and the Western economic models.

Since economics is the key-stone to global power today, it would be appropriate to discuss South Asia and the dual trends of liberalisation and economic integration. The foregoing chapters have sufficiently proved that these two concepts form the crux of international economic relations in the post-Cold War era. Having learnt from various failed economic experiments of the past, India and most of the other South Asian countries have, since the early nineties, embarked upon a gradual process of economic reforms that basically demands globalization and free market economies. Now globalization is decidedly fraught with pitfalls, and India's accession to the World Trade Organisation (WTO) regime in this regard, is certainly not without some disadvantages. Indian worries about internal economic stability being negatively affected due to arrangements envisaged in international agreements on goods and services, agriculture and pharmaceuticals are said to be valid. The desire of the United States to introduce restrictive social clauses governing production of goods and international trade is viewed by India as a protectionist measure. Consequently, the fairness of free market forces being advocated so strongly in the post-Cold War era, comes under a cloud due to such developments. Most importantly, economic reforms and liberalisation with external participation have sometimes generated socio-political tensions in the country. But, on balance, India could not have afforded to stay out either. In this regard, it would be useful to examine the scenario in China, the country with which India is compared and contrasted most frequently. China's vulnerability vis-à-vis the US has often been much greater on trade precisely because it was not a WTO member. That is why, its most-favoured-nation (MNF) status becomes a bargaining chip between the two
countries each year. It is also why the US can keep China on the foreign priority list under Special 301 and retain the right to impose trade sanctions on it. In India’s case, by contrast, the US can keep it on a watch-list but must knock on the WTO’s doors for relief. There is a fine point here which die-hard opponents of the WTO-GATT regime should ponder upon. It is not only India’s sovereignty that is compromised by multi-lateralism in trade. The sovereignty of its adversary in a dispute is likewise curtailed. Thereby a fair recourse is available, to which both parties are in fact party. It is hardly surprising then, that even the acutely nationalist Chinese government has often bent backwards in an attempt to join the WTO regime - starting from sweeping tariff cuts to domestic tax reform to a crackdown on copyright violators. It must also be remembered that unlike China, India has no presence in any significant regional trading bloc that could protect its interests. Thus, it is hard to think of another country which needs to be a louder proponent of multi-lateralism in trade than India. 1 And yet, as a report of November 1997 pointed out, India has done little to enhance its economic bargaining power and clout vis-à-vis the WTO. Since India signed a treaty in Marrakesh in 1994, signalling its intent to be a part of a liberalised global trade and investment regime under the umbrella of the WTO, it hasn’t done much to show its sincerity to the cause. For one, none of the Indian governments have bothered to liberalise the domestic industry quickly and smoothly enough. Hence, the Indian markets remain far from competitive; thereby also attracting insufficient and unenviable attention from foreign investors. Also, despite precedents in other countries like the U.S. and Malaysia, the Indian Ministry of Commerce has not set up a single department that deals exclusively with trade disputes and positions at the WTO or elsewhere. And finally, there isn’t a single nodal agency in India for ensuring quality, which, despite many companies adopting ISO series specifications, is almost always the reason why Indian goods are pervasively rejected. 2

As regards other related aspects of the Indian economy, even the official government document, the Economic Survey of 1997-98 has acknowledged the slowdown of the liberalisation process in India over the past two years. This has also led to the growth rate decelerating to 5 per cent for 1997-98 - substantially lower than the 7.5 per cent marked in the previous year. The public finances are also said to be in a mess with fiscal deficit having slipped drastically to 6.1 per cent of the GDP from a targeted 4.5 per cent. Exports are sluggish and foreign capital is also not forthcoming, more so in the post-nuclear tests environment of overall uncertainty and insecurity. Incomplete financial and infrastructure sector reforms have only served to augment the country’s economic woes. And finally, despite the recent problems being faced by the Southeast Asian economies, they still pose major competition for the South Asian markets, India included. Though many global giants and institutional investors agree that India is a future market, they don’t really seem to be in a hurry to invest here. And a feeling of disillusionment with the pace of Indian reforms as well as with the Indian government’s commitment to improve the basic infrastructure and to alleviate endemic economic problems has been growing even in the international circles. Thus India is far from becoming a hot destination on the economic map of the world even as political uncertainty and slow policy change figure high on the list of irritants. 3

India also has a very high level of human deprivation: about half of India’s adult population is illiterate; nearly one-third of the total number of absolute poor in the world live in India; 133 million Indians have no access to basic health facilities; 226 million lack access to safe drinking water; about 70 per cent of the total Indian population lacks basic sanitation facilities; about 62 million children under the age of five are malnourished......the list is indeed, endless and acutely
depressing. And even after fifty years of independence, the degradation of democratic institutions, pervasive corruption, deeply entrenched backwardness in various forms, increasing levels of crime and violence, and an overall lack of good governance have considerably eroded the legitimacy of the ruling elites in India. Likewise, this has also sustained the abysmally low levels of order and welfare in the country.  

And yet, there also exist solutions alongside this plethora of problems that plague India. For instance, experts have repeatedly suggested that the Indian government must push for more growth, invest more capital in infrastructure, and mobilise more resources for human development. As regards the latter, it has been advised that one of the principal ways of linking economic growth and human lives in India is to invest more liberally in the education and health of the masses. Such investment is quite limited in India at present - only US$ 14 a person per annum, compared to say, US$ 160 in the Republic of Korea. Whereas the truth is that whenever India has made adequate investment in the education and skill-training of its people and in strengthening its human capital, the strategy has paid rich dividends. For example, India has already emerged as the second largest exporter of computer software as a result of extensive investment in skill formation in Bangalore, a city which has fast become India’s own ‘Silicon Valley’. In fact, India enjoys the great advantage of possessing a rich tradition of scientific and technological research, a large reservoir of low-paid hard-working people, the largest middle class in the world, and functioning democratic institutions. Therefore, its take-off desperately requires a massive investment in human development.  

Similar socio-economic problems also abound in other South Asian countries - with largely similar solutions! For example, the current dilemma in Pakistan is said to be fairly basic: its previous pace of economic growth cannot be sustained without substantial investment in human development. But its ruling elite, divorced from the aspirations of the masses, is supremely indifferent to the provisions of basic social services to the people. Hence, without basic reforms in Pakistan's political and economic system, its prospects for economic or social progress also appears to be clouded. Yet the question persists as to how and when such fundamental reforms will be engineered, and most importantly, by whom. Given the recent blow dealt to the Pakistani economy following sanctions imposed by enraged global elites in response to Pakistan's nuclear tests of May 1998, the future of the country looks bleaker than ever before. Similarly in Bangladesh, the rate of economic growth has been rather slow. The rate of per capita income growth achieved during 1973-93 was only 5 per cent, which has helped little to alleviate mass poverty in the country with the greatest concentration of poor people in the world. It is opined that Bangladesh can make fairly rapid progress if it invests liberally in its human capital. Lacking other natural resources and threatened by ecological degradation, its main resource is its people. Currently, Bangladesh invests only US$ 5 a year per person on providing education and health services. This is very low, even when compared to an investment of US$ 10 in Pakistan and US$ 14 in India, let alone US$ 150 in Malaysia and US$ 160 in the Republic of Korea. Wherever Bangladesh has invested in skill-training, as in the garments industry, is has made tremendous progress. However, such investments have been limited and need to be greatly accelerated. As regards Nepal, uneven income distribution and unplanned usage of its abundant land and water resources are considered the main reasons for the gross poverty and low levels of human development in this tiny Himalayan kingdom. For instance, Nepal has the potential for generating 25,000 megawatts of hydroelectric power and supplying cheap electricity to the entire South Asia.
And yet, this potential remains largely untapped: actual production of electricity is only 237 MW, or less than 1 per cent of its potential. Apart from utilising these resources more judiciously, Nepal also needs to restructure its political system as despite the democratic transition, the reality is that a small minority still exercises a virtual monopoly over the higher positions of power and profit. Sri Lanka, of course, needs desperately to resolve its long-drawn ethnic strife which has systematically torn the country apart and negated all the socio-economic progress of the previously peaceful decades. Since the 1970s, Sri Lanka has been grappling with a host of intractable economic problems, in particular galloping inflation, high unemployment, and a stagnant economy. Despite wide-ranging reforms initiated in the early 1990s, the inability of successive governments to resolve the violent ethnic divide between the Tamils and the Sinhalese has overshadowed all other efforts at human development in Sri Lanka.

At this point, it would be useful to draw comparisons between Sri Lanka and some Southeast Asian countries such as Malaysia which have also faced similar ethnic problems in the past. However, the difference here is that countries like Malaysia have been able to overcome their ethnic divide through policies of rapid human development and human growth. After the racial riots between the Chinese and the Malay communities in 1969, Malaysia embarked on a remarkable strategy of social integration. The government made large investments in education, health and other social services for all the classes of society - but with much greater focus on the Malays as the more disadvantaged group. Consequently, the Human Development Index of the Malays increased nearly one and a half times as fast as that of the Chinese between 1970 and 1991. Whereas in the case of Sri Lanka, at least three policy mistakes were made in engineering social integration between the Tamils and the Sinhalese. First, for a long time, there was a serious imbalance between economic growth and human development. In fact, per capita income growth declined in the 1970s. When too many people were in the race for declining income and job opportunities, there was a natural perception that the Tamil minority was losing this race to the Sinhalese majority. Sri Lanka’s experiment illustrates that any serious imbalance between human development and economic growth can have disastrous consequences. This is also where the paths of the Southeast Asian industrialising tigers and that of Sri Lanka diverged completely. Second, Sri Lanka made the mistake of extending some social services on a discriminatory basis, unlike the practice in Malaysia. And finally, many of the social services (particularly free rice rations) were cut down drastically. In a system used to the concepts and practices of a modern welfare state, people suddenly saw a major change in their social contract with the government, without the benefit of any democratic consultation or debate. Ironically, the defense and security expenditure in Sri Lanka rose from less than 2.7 per cent of GDP in 1985 to 4.7 per cent in 1994, primarily due to the ethnic violence and armed insurgency. Thus whatever resources were nominally saved by curtailing social services went towards the maintenance of national security, something that infuriated the masses (particularly the minorities) even further. From this it is clear that Sri Lanka has to restore a proper balance between human development and economic growth and to create a new confidence among its people that they can, irrespective of their ethnic origin, participate equally in the opportunities of life.

As regards the smaller states of Bhutan and Maldives, despite the somewhat skewed nature of development in these countries (probably due to various geographical restraints), both have recorded reasonably decent levels of human development and can be cited as the functional...
examples of order, welfare and legitimacy in South Asia. But given the size and relative insignificance of these countries, they do not really represent the general scenario of South Asia.

The above-stated paragraph (as also the contents of the preceding chapters) only serve to confirm the fact that during the last five decades or so, South Asia has performed far below its potential. It has achieved neither adequate and equitable economic growth nor high levels of human development. Little progress has been made in improving the circumstances under which people are born, in building human capabilities, in opening up opportunities for income and employment, or in sustaining a better environment from one generation to the next. This catalogue of failed potential is specially disappointing when compared to the astonishing record of high, sustained, and equitable economic growth in the ‘miracle’ economies of neighbouring Southeast Asia. The recent economic turbulences notwithstanding, in the last three decades, Southeast Asia’s real GDP had grown consistently at a rate almost three times as fast as South Asia’s. And the Human Development Index of Southeast Asia is now almost twice as high as that of South Asia. This is even more surprising in view of the fact that the countries of South and Southeast Asia had approximately the same level of per capita income in the 1960s. Hence, there are clear opportunities for South Asian countries to reduce their own widening human development gaps by learning from the Southeast Asian experience. Of course, there is no single model that can be blindly replicated in South Asia. There were many diverse, country-specific strategies that contributed to the making of the Southeast Asian ‘miracle’. But many of these key elements can be attributed to five core strategies: one, building a broad base of human capital by focusing on basic education; second, adopting an outward-looking trade strategy, with domestic protection limited to a core group of strategically important and profitable industries; third, equitably distributing the benefits of economic growth, particularly through land reforms and broader access to credit facilities; fourth, selectively intervening to promote both increased domestic savings and the transfer of these savings to internationally competitive domestic firms; and fifth, developing a co-operative relationship between the public and private sectors. The origins of these five strategies often lay in institutional arrangements devised in earlier eras (for instance, the pre-reform achievements in health in China and the post-Second War land reforms in the Republic of Korea and in Taiwan). Despite these historical and institutional difference, there is much substance in these five core strategies which is relevant for South Asian economies today: with extremely low levels of literacy, South Asia needs to invest a lot more in the education sector. Southeast Asia not only spends 2-3 times more on education out of its GNP, it also emphasises universal, high-quality primary education, accompanied by largely self-financed university education systems. The successful outward-looking trade strategies of Southeast Asia contrast sharply with the failed attempts at primary export-orientation and import-substituting industrialisation of most South Asian countries. Southeast Asia also relies on a high-quality and merit-based economic technocracy, a reliable and just legal framework, and long periods of political stability (though admittedly under authoritarian rule which ought not be emulated). These institutional conditions do not exist in much of South Asia. In addition, the most important institutional factors in explaining Southeast Asia’s high and evenly-distributed growth are probably land reforms and an equitable credit system. The final unexplained factor in the Southeast Asian ‘miracle’ of the 1980s is often described as social capital or good governance. This generally refers to the nexus between the state, the bureaucracy, and big business. This nexus has been largely based on merit, rule of law, competition, civilian control over the military, institutions of accountability, and a co-operative framework between the state and civil society.
Such a system has been conspicuously lacking in South Asia and needs to evolve over a period of time through concerted action of those involved in the nation-building process. Thus, there are many admirable aspects of the Southeast Asian development strategies that can be picked up by South Asia, but of course, with discrimination.

Since economic issues are closely connected with the security concerns, these must be dealt with simultaneously - with "lessons" for India and South Asia at the core of the analytical conclusion. Indeed, ensuring the security of India basically implies the creation of conditions which will contribute to its socio-political consolidation and its territorial integrity. It also demands sustaining these conditions in order to guarantee India's existence and survival. And finally, it means safeguarding the freedom of options and capacities of India to survive in a volatile international environment. Therefore, ensuring security transcends strategic and military factors; it involves political, economic, social, technological and even, environmental factors as inputs. The validity of this argument has acquired added relevance in the post-Cold War period because of the incremental trend of international regulatory regimes being put in place, governing activities in the spheres of technology, space exploration, nuclear energy, environment, and human rights. The point to note is that these regimes are not being formulated by consensus or detailed deliberations at the United Nations or at any genuinely representative multi-lateral forum. Instead, those which have been put in place so far are mostly created by the great powers - which also happen to be largely discriminatory. To quote an example, it took more than four months of uncertainty in 1995 for India to be invited to join the ASEAN Regional Forum (ARF), the Southeast Asian grouping's platform for security-related matters. This was heralded as a triumph for Indian diplomacy as well as pragmatism and good sense on ASEAN's part by the Indian analysts. Although India was made a "full dialogue partner" at the ASEAN's Bangkok summit in December 1995, the US and Japan had immediately expressed reservations. Among other things, India's refusal to co-operate with the West's nuclear agenda was held as "proof" of its alleged lack of maturity as a regional power. Fortunately, ASEAN did not waver in its determination to be the sole judge of what is in its best interest and India now participates in regional security meetings on a par with the US, the EU, Japan, Australia and others. But even as a new vista for India's foreign policy has opened up, there is a need to take a measured view of what exactly membership in the ARF entails. For the ASEAN countries, the ARF is a way of transforming the security and military interests of outsiders into a factor for stability in the region. For Washington, the ARF is a part of the containment scaffolding it would like to see erected around China whenever the latter adopts bullying tactics or plays truant. Since India has never expressed open support for any of these causes, the US has not been very enthusiastic about India joining the ARF. The constant challenge for India therefore, is to participate in the ARF without getting drawn into any balance of power equations between the big powers.

India should also not err in assuming that a closer economic relationship with ASEAN will automatically follow membership in the ARF. With Vietnam, Laos, Cambodia and Myanmar yet to be fully absorbed within its fold, the ASEAN's main priority on the economic front is bound to be the deepening of intra-regional integration. The unprecedented financial crisis of mid-1997 with its persisting repercussions has become a major cause of concern and attention, not only for the ASEAN but also for other major global economic players. This brings us to a discussion of the ASEAN itself.
Over the past two decades, the countries comprising the ASEAN have been hailed as one of the most dynamic regions of the world. Details of their remarkable achievements have been provided in the earlier chapters. Apart from the stated objective of an ASEAN Free Trade Area (AFTA) by 2003, emphasis has also been placed on developing the so-called "growth triangles" - free trade oases in border regions of two or more ASEAN states - in which investment is being constantly pushed with the active participation of the governments involved. At present, there are three such zones. The first links Singapore and the border districts of Malaysia and Indonesia. The second links southern Thailand with northern Malaysia and Indonesia. The third and most successful to date, connects Mindanao in the Philippines with Brunei, Borneo and Kalimantan in Indonesia. Another triangle is to be in the Mekong river basin, tying Thailand with Vietnam, Laos and Cambodia. For geographical reasons, India cannot be a part of any such future growth triangles. In fact, a short while ago, India and the ASEAN nations really had no reason to eye each other, driven by their westward orientation, ASEAN's preoccupation with its own development and an Indian economy that wasn't attractive to anybody, let alone ASEAN. Of late however, the Indian authorities have been raising both their profile and voice in order to be a part of the ASEAN group. Having put behind its ideological barrage from the Cold War days in dealing with the ASEAN, it is now essential for India to identify the best partners within the ASEAN. In 1995, the urgency was aptly summed up by an official at the Ministry of External Affairs: "A positive aspect of ASEAN is its involvement with each other's growth and India has now perceived this clearly. ASEAN, therefore, is at the heart of our reworked strategy". 8 India shares its maritime economic zone with three ASEAN countries. Furthermore, ASEAN is the largest trading entity after the EU, NAFTA and Japan. It can offer both an avenue for Indian investment and a source of funds for India, as these economies increasingly churn out surplus capital for overseas investment. Thus, while the economic reforms process has presented opportunities to the outside world for investing in this country, India should utilise this opportunity to foster closer ties with its Southeast Asian neighbours. This sentiment has also been repeatedly expressed by the ASEAN countries themselves, most prominent among them being Singapore. Lee Kuan Yew, the architect of modern Singapore has repeatedly stated that India's economic development depends on how quickly it creates conditions under which the people and resources make themselves "relevant" to the international community. 9 Indeed, Singapore has a special interest in India. For, despite the vast divergence between the two countries - in terms of size, history, geography, culture, polity and economy - there is much to be gained from a give-and-take relationship, specially in the economic sphere. Thus, over the past few years, Singapore's business interests in India have picked up steadily, with joint-venture plans totalling close to $1 billion. The largest economy in the ASEAN grouping, Singapore has always taken the lead with trading, garments, finance and electronics. It has been suggested that if India can provide more markets and professional talent for Singapore, then the latter can also offer substantial inputs in terms of technology, systems management and massive economic investments.

In the same way, it has been suggested that India must attempt to establish a variety of economic links with the rest of the ASEAN countries. When bilateral trade figures rise and investments increase, ASEAN countries would automatically take India more seriously. At the same time, India must speed up its lately-slackening reforms process. Except for Singapore and conservative Brunei, most of the ASEAN countries have not had the patience or so much of surplus capital to sink into a project in India, and to wait endlessly for a stable policy on infrastructure to emerge. Even some of the prosperous Malaysian, Thai and Indonesian companies who recognise the
potential for multi-billion dollar bonanzas in private highways, ports, power and telecom projects in India, are not prepared to wait much longer for better economic conditions (as judged from their own superlative perspectives). Besides since mid-1997, most of these Southeast Asian economies have been facing so many financial problems of their own that it would take them quite some time to emerge out of this quagmire and start looking beyond the region for sustainable economic relationships. This fact notwithstanding, certain other technical suggestions have also been made to improve ASEAN-South Asian relations. For instance, it has been felt that there may be potential for the exchange of professional manpower as well as several primary products between the two regions. Tourism and banking are also important areas that can promote ASEAN- South Asian economic relations. Further, it seems that there is an absence of firms specialising in finding joint-venture partners in each other's regions. Then, there are areas in the two regions where trade and economic links are negligible. To quote an example, there are hardly any links between Sabah and Sarawak, and South Asia. The economic relations between the Philippines and South Asia, particularly Sri Lanka and Pakistan are also paltry. Therefore, greater attention could be paid to these areas. There are also several unorthodox ways of promoting trade between these two neighbouring regions such as barter trade, counter-purchase policy and its variations, non-convertible currency trade on a multi-lateral basis, etc. These schemes can well supplement the conventional trade in hard currencies. The ASEAN and South Asian countries may also devise a joint strategy to increase the procurement shares of the United Nations contracts and those of multilateral development banks going to the developed countries. And finally, the infra-structural bottle-necks in the two areas must be overcome to facilitate trade ties.

At the same time, India can also learn from the spectacular accomplishments of individual ASEAN countries. To quote an example, the Malaysian Prime Minister Mahathir Mohamad's now-famous "Vision 2000", which promised to take Malaysia to a developed nation status within a year's time, was announced only four months before the Congress government initiated India's economic reforms process in 1991. Yet, few will dispute that the Indian authorities have been far less successful than the Malaysians in selling their vision to their people. Similarly, India can also learn from Singapore's experience. The island-state is among the top twenty trading countries in the world. This is a remarkable achievement considering that Singapore has a population of less than three million and a land area of just 641 square kilometers, with no natural resources either on- or off-shore. Other noteworthy facts about this tiny country have been described on pp. . These few observations, and the success stories of the rest of the ASEAN members should be an eye-opener for the South Asian countries, particularly India.

Moreover, lessons can also be drawn from China's progress, a neighbouring country with whom India has been frequently likened (see pp. 62-63). China has periodically demonstrated its ample bargaining power in world politics by threatening that Sino-US relations would suffer and the US would lose an enormous Chinese market ranging from planes to grains, if the American administration ever considered taking away the Most Favoured Nation (MNF) status from China. The much-hyped visits by Presidents of both America and China to each other's countries in late-1997 are said to have heralded a new era in Sino-American ties as also to initiate a series of economic and military joint ventures (including an important nuclear pact) between these two global powers. As it is, the US has always desisted from openly criticising China for its human rights violations and weapons proliferation tactics while "lesser countries such as India are being
perpetually censured over these issues. Even when considered from this viewpoint, India would be well-advised to emulate China's efforts at becoming an indispensable asset to the world rather than a liability and an area of concern and sheer pessimism (which also increases vulnerability to external interferences and pressures). To quote an example of China's growing economic clout, a survey of US business found that though India was a more attractive destination in 1993, by the year 1998, China had easily overtaken India. The respondents were US companies with worldwide sales revenue of more than $1 billion and business in the manufacturing or services sector. They gave a total score of 263 points to India against China's 189 in 1993. But by 1998, China got a total of 254 points as against India's 195. This remarkable perception of Chinese economic attractiveness has been based on the country's ever-increasing strength in the three critical areas of market, manufacturing and financial sectors. The easy access to the domestic market, the overall size and possible use of this market by competitors to gain scale and Asian presence - all these factors combine to make China now, and even five years from now, a larger and more lucrative market than India. 11 Such studies also underline an urgent need to improve the world-wide perception of India's value as a site for trade and investment. At the same time, India can also work towards improving its economic ties with China itself. China's total foreign trade stands at about $250 billion a year, but its trade with India is just $1 billion. There is believed to be great potential for developing Sino-Indian bilateral trade. While the bulk of Sino-Burmese trade goes through the border, the bulk of Sino-Indian trade is conveyed by sea. Overland border trade would give a fillip to India's trade with China. Besides, there is tremendous scope for India and southwest China to strike joint ventures and develop new products for the world market. Yunnan, for example, has a number of sub-tropical exotic fruits with high nutritional and medicinal values. There is a booming industry producing high standard canned drinks that are popularly sold all over China. The Yunnan canning industry can collaborate with Indian companies to develop canned Indian fruit juice and natural drinks. Such a joint venture will have the potential to enter the world market. Similarly, like India, Yunnan and Guizhou are famous for herbal medicines and several collaborations can be made in this regard. 12 Thus, certain specific parts of China may be ear-marked for rewarding investment opportunities to India. Whereas on the contrary, two months after the Pokharan tests, there is still no thaw in the strained Sino-Indian ties. Following the May 1998 nuclear developments in the subcontinent, the growing tensions between China and India finally culminated in China firmly calling on India to cease all further efforts at weaponization and to sign both the CTBT and the NPT, or face the unpalatable prospect of being targeted by Chinese nuclear weapons in the coming months. 13 Such security-related tensions are also likely to adversely affect future Sino-Indian economic ties.

On a much larger scale, India has also been advised to upgrade its relations with the APEC member-states to include not just the ASEAN but also Australia, Japan and the US. India can also position itself over time to be invited to be a member of APEC. To facilitate that, India must complete its economic liberalisation process. The full convertibility of the rupee, further simplification of income tax, abolition of gift and wealth taxes, simplification of indirect taxation and a time-table to bring down the peak customs duty to 30 per cent, with most duties at 10 per cent or less by the year 2000, combined with GATT binding - are some of the reforms that will help in making India a major player in the global economy. Similarly, the AFTA is expected to be a reality by the year 20003. By then, if Indian import duties are reduced to 5 per cent or less on most manufactured goods, it should be possible to establish a special relationship with the AFTA. India should also be fully abreast of the agreements, deliberations and recommendations of
various APEC bodies and meetings. APEC intellectuals and opinion-makers must also be periodically invited to India, and their comments and criticisms keenly monitored. It must be realised that with India outside the APEC, neither the US nor Australia can take full advantage of its 250-million middle-class backed by purchasing power. This in itself, can be a major hindrance to India's global economic aspirations.

Continuing in this vein, it would be useful to examine that why, despite being a democracy and favouring economic reforms, India is still kept out of such high-profile clubs? The answer to this lies in the crux of this research study, that is, South Asian countries like India are way behind their counterparts in the neighbouring Southeast Asian region as far as social, economic and political development is concerned. In this context, it would be worthwhile to examine the substance of Southeast Asia's attraction to Europe and the US, as compared to South Asia. The Southeast Asian region has shown an average growth rate in their GNP of 8.1 per cent as compared to the 5 per cent annual growth rate of GNP in South Asia in 1995. Speaking in terms of foreign direct investment (FDI), Asia received 55 per cent of the total FDI channelled to developing countries between 1993 and 1995, with China alone absorbing one quarter of FDI. In terms of balance of trade between Europe and Asia, the whole of South Asia accounts for just about 1 to 1.2 per cent of the total trade between Europe and Asia, whereas the Southeast Asian region accounts for nearly 10 to 15 per cent. Further, it is the estimate of the Western countries that by the year 2000, Asia will account for nearly one-half of the world's economic growth and 50 per cent of the world trade. With Asian countries accounting for one-third of world production, the European Community could have an investment opportunity equivalent to roughly 740 billion European currency units in the Asian region. While one billion Asians will possess significant purchasing power, 400 million will possess purchasing power equivalent to that of the Europeans today. Experts however, have clarified that despite the present financial crisis, most of these positive trends will be generated by Southeast Asian countries and not so much by the rest of Asia. Some of the economists point out that by the year 2000, South Asia will still contain the largest concentration of the world's poorest people. It is also held that this part of the world will remain in need of qualified manpower resources and technological capacities for several more years to come. The multiple socio-economic crises that the South Asian countries face and the spectre of perpetual poverty looming over its peoples are the end-product of a process of fragmentation and disintegration of society, fuelled further by continuous feuding among the nations of South Asia. These points had been dwelt upon in detail in the previous chapters. Little wonder then, that South Asia currently faces the humiliating prospect of being completely marginalized in the international community. There has been a steady erosion of its economic and political standing in the international community, the latter having made much, much more progress than most of the South Asians can even imagine. Whereas, the experience of ASEAN in recent years has shown that by coming together on a single platform, the process of marginalization can be reversed. The ASEAN bloc - which has a combined population of more than 480 million and a total economic output of US$ 630 billion - is widely considered to the most effective and influential grouping of countries in Asia. Hence, the South Asians nations need to create a stronger identity for themselves in the world arena primarily through a process of regional co-operation. For, in the world of today, characterised by sweeping political changes and growing transnational ties, economic imperatives are rising to the fore and will gradually take precedence over all else. Globalism will force the pace of regionalism and the development of regional economic zones which capitalise on complementarities with a view to
becoming better competitors in the global marketplace. With these challenges to the fore, South Asia will be left with no option but to reformulate its largely redundant policies accordingly.

On the positive side, recent years have shown that economics has become more important to exchanges between India and the ASEAN. In sheer numbers, Southeast Asian conglomerates are taking a greater interest in India's economic reforms programme than those from anywhere else. Unfortunately, this is not often borne out in investment approval figures released by the government of India because companies in the ASEAN are smaller in size than the global giants in the US, Britain or Germany. Thus, it often takes 10 to 20 investment approvals from Singapore to equal the investment in a single joint project proposed by a German conglomerate like Siemens. This anomaly of size however, should not deter Indians from the hope that the ASEAN can be made to look at India as a natural partner in the twenty-first century. Indeed, much can be done to make the ASEAN countries the spring-board of India's professed leap into the global market-place. This can be made possible by increasing the level of economic and technological co-operation between India and the Southeast Asian region, taking advantage of skilled manpower, untapped markets, massive market potential and other synergies that give the economic relationship a thrust. Simultaneously, the defence co-operation opportunities with the ASEAN countries must also be thoroughly exploited by India. Success in these two areas would ensure a highly visible role for India in the emerging Asia-Pacific community. Through the ARF and its many fora, both at the governmental and non-governmental levels, India has often participated in matters concerning the entire continent. But sadly, not actively enough to be in a position to suggest specific initiatives which could put its permanent impress upon the ARF process. This has primarily been due to a failure to co-ordinate New Delhi's approach in the different activities being undertaken within the ARF. Hence, this is yet another shortcoming that needs to be rectified.

At the same time, it has also been advised that while looking East is important in order to lessen India's dependence on the West, India needs to focus more South Asian integration. Most importantly, Indian authorities must not make the fatal mistake of thinking that a link with ASEAN alone will provide a short-cut to domestic and regional prosperity. In this context, most of the analysts feel that the South Asian Association for Regional Co-operation (SAARC) must be upgraded and utilised to its maximum potential. It is believed that the ASEAN has been far more successful than SAARC primarily because of the "shared security perception" or the political "Common External Threat" (CET) factor that has kept the ASEAN members together. Furthermore, the economic "Common External Tariff" (CET) factor has also followed the political CET in ensuring the cohesiveness and stability of this grouping. Thus, due to certain shared economic and security concerns, the Southeast Asian countries are able to portray themselves as a "region" - which is also conducive for co-operation in several other aspects of inter-state relations. By contrast, the SAARC members are unable to project themselves as a region due to a lesser propensity towards co-operation. Apart from several prolonged inter-state disputes that elude a solution, the smaller South Asian countries have also been constantly battling the fear of India's hegemonic aspirations which has further served to sustain tensions. The situation has considerably worsened in recent months following India's foray into the nuclear club. Details of this have also been provided in the earlier chapters. Given these realities, India must first and foremost make genuine efforts to dispel the fears - real or imagined - of its smaller neighbours and take the lead in promoting harmonious and balanced inter-state relations among
all South Asian countries. For instance, in the purely economic context, India can assist most of
the other SAARC members in their developmental efforts by virtue of its diversified industrial
base and relatively skilled manpower: for example, Nepal and Bangladesh could benefit in
textiles and plastic products while Bangladesh and Pakistan could substantially improve their iron
and steel productions with a little co-operation from India. Sri Lanka and India can also co­
operate in exporting tea to the rest of the world, through a properly evolved set of guidelines.
Furthermore, all over South Asia, necessary transport and communication relations should be
established and restrictions on movements of goods minimised. Intra-SAARC trade (which is
presently a poor 3.4 per cent of the total world trade figures) can also be promoted by step-by-
step selective tariff liberalisation on products of interest to all countries of this area. A 1995
report pointed out potential business areas such as iron ore, tea, raw cotton, scrap iron and
automotive sector for improving Indo-Pakistan trade relations. 20 Improved intra-SAARC
trade now also depends upon the successful implementation of the South Asian Preferential Trade
Agreement (SAPTA). Further details of this are provided in the third chapter. On a more
generalised scale, a fifteen-year plan of action for SAARC until the year 2000 A.D. has been
suggested by various experts, which, if adopted by all the member-countries, can help effect
radical improvement in the social, economic and political circumstances of South Asia. This
involves earmarking 1.6 per cent of South Asia’s GDP towards a comprehensive human
development package within the area as well as a number of strategies for further liberalisation
and integration with the rest of the world. Moreover, it calls for exploring the feasibility of sub­
regional co-operation within the SAARC, such as the North and the North-east sub-region
comprising Nepal, Bhutan, Bangladesh and India; the Southern sub-region comprising Maldives,
Sri Lanka and India; and the Western sub-region comprising Pakistan and India. 21 In this
context, a related and possible scenario can also be that once intra-SAARC trade and economic
development gathers momentum, the SAARC and the ASEAN countries could be expected to
work together as role models for successful South-South co-operation. The concept of "growth
triangles" where three ASEAN countries work together based on their resource endowment and
manufacturing capability, can also be extended to the SAARC. For example, Singapore with its
excellent telecommunication facilities, marketing infrastructure and favourable relations with
India, can be used as a spring-board for launching new Indian and Pakistani products. 22

Some of the leading development experts have also urged the countries of South Asia to evolve
economic models which would respond to their distinct socio-cultural needs. One way of
achieving this is the suggestion of launching a "New Aligned Movement" (NAM) of civil society
organisations. This is significant in view of the almost redundant old NAM - Non Aligned
Movement - due to the dissolution of the two ideological blocs following the disintegration of the
former Soviet Union. Similarly, the concept of an Asian Pacific Rim (APR) has also been mooted
in to be pursued in tandem with countries like South Africa and Mauritius. Some of the South
Asian business leaders have also decided to set up a Confederation of South Asian Rim Business
(CONSARB), but with the inclusion of Malaysia, Myanmar, Singapore and Thailand. This
organisation hopes to make "the South Asian regional economy into a significant global player
and work toward global leadership in select sectors of economic activity". 23 Due
encouragement to such concerted efforts might also help in promoting the welfare of South Asian
countries.
India has been further advised to establish better ties with the European Union. In the post-Cold War world, an autonomous and enlarged EU is considered more vital than ever as India's partner of choice. The growth of the EU's peace-keeping and humanitarian operations in recent years is a significant indicator of this organisation's global vigour. At the same time, it is evident that the EU itself is no less mindful of the economic and political attractiveness of a resurgent India. The goodwill gesture by the EU in inviting India to attend the second Asia-Europe Meeting (ASEM) in the United Kingdom in April 1998, despite reservations from some of the ASEAN countries, can be cited as a significant positive development (India had lobbied hard to be invited to the first ASEM meeting, but the ASEAN countries which were hosting it, did not respond favourably to the idea). Therefore, it would be in India's interest to cultivate all the EU members more forcefully and urgently. In this regard, it is felt that there is a need to be more vigilant about the special market access gains of India's trade competitors, actual and potential, as EU grants concessional treatment to Turkey, the East Europeans and the Mediterranean states. No less important are the sets of non-tariff barriers that are emerging, under environmental, social and other guises. But the EU is predicated on open trading concepts, and there is potential for skilful diplomacy. Furthermore, the EU's example of partnership also has an obvious moral for the strife-ridden region of South Asia. Of course, the contrasts between the regions are vast, but Europe too had a huge initial burden of clash and hatred. As individual South Asian nations lower past statist structures, look outward, and take hesitant steps to SAPTA, it does not seem too fanciful to believe that a closer study of the evolution of the EU would provide invaluable lessons for the region. In this context, it may be mentioned that the SAARC and EU signed a major co-operation agreement in May 1995, preceded by certain significant bilateral agreements between the EU and individual South Asian countries. Indeed, it has been widely held that India's interest in Europe can be well-protected if it continues to develop strong bilateral relations with individual European countries as well.

By way of consolation perhaps, it has also been said that the formation of the relatively new APEC and NAFTA are not the end of economic blocs. There will be many more because domestic markets are proving too small and countries cannot produce every commodity with comparative advantage. Some of the Asian countries have been experimenting with growth triangles involving two or three countries. These are limited to contiguous parts of participating countries which can develop together and therefore, need free access to each other. It is the common interest which draws countries into a bloc and ensures rapid development. The accent is on complementarity. Therefore, new permutations and combinations will be thought of and more blocs will emerge which can engulf countries in Asia and Africa. Hence, South Asian countries that have been kept out of the present power configurations must also start preparing better economic strategies to ensure their membership in such future blocs.

Coming to the purely security concerns, the preceding pages have proved that these problems too, are more pervasive in the South Asian region than in Southeast Asia. Indeed, South Asia has been facing the unpalatable prospect of a spiralling arms race and a debilitating rise in defense expenditures of major countries of this part of the Asian continent. Apart from a tremendous increase in defence spending in both India and Pakistan over the past five decades, even smaller countries like Sri Lanka, Bangladesh and Nepal have been spending excessively and mindlessly on militarization and weaponization over the past several years. To quote an example, Bangladesh experienced the largest increase (222 per cent) in South Asian its total military
holdings (combat aircraft, artillery, ships, and tanks) during the period 1985-94. Similarly, Sri Lanka’s defence expenditure doubled as a proportion of its GNP during the last decade and is now close to 5 per cent. Such military spending adds to the overall budgetary deficits (often swelling the deficit), lowers private consumption, and uses resources that could be employed instead to improve the social services or national productive capacity. To elaborate this point, India is reportedly considering an expenditure of US$ 4.5 billion for further upgrading its military arsenal. If this is true, then there is still time to consider the alternatives, since this amount can finance:

- primary education for one year for all the 45 million children in India who are denied such education at present; and
- safe drinking water for one year for all the 226 million Indians who have no access to such a facility at present; and
- essential medicines for one year to all the 135 million who have no access to any health facility at present; and
- family planning services for one year to an additional 22 million couples in India.

In consideration of this observation, perhaps it would also be an illuminating experiment if people in countries such as India were offered a free choice in a national referendum on whether they would feel more secure with the proposed purchase of arms or, alternatively, with the supply of basic social services such as those mentioned above.

Given such contorted ordering of priorities in India and the neighbouring countries, it is not surprising that these countries are constantly facing pressures from the international community to adopt certain strategies for overcoming their respective socio-economic and politico-military shortcomings. Though several of these suggestions are worth accepting, several others are also rejected as unsuitable to the unique indigenous circumstances of South Asia.(as is argued against certain clauses of the CTBT or occasionally, against opening up the South Asian markets completely and more rapidly).

The ASEAN, on the other hand, has been a lot more fruitful in initiating measures for arms control, disarmament and denuclearization. Apart from the politico-security related initiatives of the ARF, the signing of the ASEAN nuclear weapons-free zone agreement is another example, which has since been used by the US to intensify its advocacy for a similar arrangement in South Asia. Specially when the two major powers of South Asia - India and Pakistan - have been repeatedly accused of adopting positions that are completely at odds to those proposed by the international community. The alleged nuclear belligerence of these two countries following the nuclear tests of May 1998 can be quoted as one instance. For the past several years, both India and Pakistan have been attracting world-wide criticism for opposing the NPT and other American-led efforts at disarmament in the volatile Asian continent. While this could still be justified due to the discriminatory nature of some clauses of the NPT, not much can be done to exonerate India and Pakistan from having led the subcontinent into a nuclear impasse in recent months. With Pakistan seeking international mediation to prevent a fourth Indo-Pak war and India refusing to internationalise the contentious Kashmir issue, the situation remains as grim as ever. Given the breakdown of the recent talks between the Prime Ministers of the two countries and the all-round pessimism that has been subsequently generated, not much hope for a lasting peace is in the offing either.
It has often been suggested that to avoid further stalemate in talks pertaining to Kashmir, a modus vivendi should be sought on the basis of harmonising each others’ interests while side-stepping the thorny issue of the sovereignty of Kashmir. A feasible solution could follow the lines of the agreement arrived at by Italy and Yugoslavia in 1954 over the disputed territory of Trieste. Their armies faced each other in angry confrontation, but a clash was prevented by the conclusion of a provisional agreement under which neither side renounced its claim to the whole territory. Italy continued to occupy the port city and Yugoslavia the hinterland, and the right of passage to the city was accorded to both parties. This enabled Yugoslav workers to go freely into the city for work on showing their identity papers and Italians to cross over to the Yugoslav side. This so-called “provisional agreement” has proved to be more durable than many formal treaties. 27

From a pragmatic point of view, Kashmir essentially has trade and tourism to offer. Tourists from abroad are welcomed and Pakistanis could also be allowed entry on producing visas. The flow of such tourists could be monitored and regulated, and a watch kept on anyone indulging in undesirable activities. On the nuclear issue, India has offered a no-first-use pact, and in return Pakistan has proposed a non-aggression agreement. To end the argument, these two concepts which are not mutually contradictory, could be combined so that in defining “non-aggression”, no-first-use could be incorporated.

At the same time, even though India has now softened its stance on the question of signing the CTBT, most experts opine that in the present scenario, ideas of signing the NPT or the CTBT are of not much relevance. Moreover, all Western initiatives to declare South Asia as a Nuclear Weapons Free Zone (NWFZ) are also unlikely to succeed because of the post-nuclear tests Indo-Pak status, and more importantly, that this entire process is a part of their overall discriminatory NPT stance. It is argued that reasons like the CTBT did not stop the five declared nuclear powers from developing new weapons or conducting nuclear tests. This is a point that has been and ought to be used by both India and Pakistan to highlight the discrepancies in the global nuclear club. Moreover, both countries should come together to evolve a joint policy to press for elimination of nuclear weapons on a global (rather than purely regional) and more equitable scale. The pacifist lobby - advocating peace and tranquillity in South Asia per se - is criticised for ignoring the bitter realities that dominate international relations in this part of the world. Realism indicates that both India and Pakistan would do well to initiate negotiations on a series of CBMs such as greater transparency, professional discussions among military staffs on strategic doctrines, and interaction between strategic analysts on both sides. Such measures must cover both conventional arms and the nuclear sphere simultaneously. It has also been suggested that India and Pakistan should include China in a no-first-use agreement pertaining to their respective nuclear capabilities. Though this might be a difficult task in view of the fact that India has not had particularly cordial relations with China since 1962, and that relations have further soured following India’s recent foray into the nuclear club. 28

It may also be noted here that there is very little recognition of the need for early warning indicators for conflict management or resolution in South Asia. As yet, there are no agencies which monitor potential conflicts, except for the national intelligence services, and they are notorious for their bias and lack of credibility. There is no public agency which can work towards conflict prevention, and no ombudsmen or other governmental institutions which may facilitate preventive action. These observations hold true for South Asia as a whole. States tend to respond to conflicts as they arise, recognising political power only if it is sufficiently organised. Non-
governmental bodies are mostly concerned with the results of violence and are involved in humanitarian work such as caring for refugees, displaced people and the casualties of conflict. Whilst there is a very large network of scholars within South Asia aware of the conflict situations, academic disciplines are not oriented towards action or policy. The challenge, therefore, is for existing scholarly networks now co-operating within South Asia to create fora for exchanging findings and views on new conflict dynamics. Such networks will need to develop linkages with non-governmental bodies, so that preventive actions may be placed high on the agenda of international affairs in South Asia. 29

According to the more radical studies, political inequality seems to be the only appropriate principle within the South Asian region. Hence, it has been suggested that the smaller states must accept "the natural imbalance of power" within the subcontinent and choose not to contest Indian claims to hegemony, thereby lending some sort of stability to South Asia. China, however, is seen as the only proximate actor of consequence with the ability to erode Indian claims to pre-eminence both within South Asia and the Asian continent at large. 30 This seems to be true in the light of statements made by foreign policy experts like Henry Kissinger that India will seek a dominant role in the arc extending from Aden to Singapore as it progresses towards a "greater power status", producing a face-off in Asia with China. In a panoramic overview of US foreign policy goals in Asia, Kissinger predicted a "clash of perceptions" between New Delhi and Beijing over Tibet and Burma, and to a lesser extent, over Southeast Asia. He also listed Indonesia and Vietnam as potential rivals to Indian geo-political objectives in Asia. 31 Such predictions about India's hegemonic aspirations and its consequences have also been made by Sandy Gordon who believes that India is all set to become a top Indian Ocean power in the early next century. However, the immediate question about India's rise to power relates more to the restraints on its progress rather than its potential. For, Gordon warns that the nineties are a dangerous decade for India since it has to perform a "delicate juggling act", balancing the economic reforms on the one hand and socio-political pressures against them on the other (this also conforms with one of the premises of the research hypothesis). 32 In such a mixed environment, the security concerns become even more complex as the dangers in South Asia are no longer limited to a historical rivalry between India and Pakistan but have started drawing in bigger neighbours like China (as well as the powerful Islamic countries of West Asia) and confused reactions from the Western powers.

As it is, the United States is said to have been either ambiguous or outright unfair while dealing with the so-called "recalcitrant" nuclear states which now include India and Pakistan. One reason for this is that most policies from the US are largely based on the assumption that the American military will remain the most powerful force in the world for many more years to come. Hence, the U.S. can act in whichever way it alone deems fit, keeping only the American interests uppermost in the mind. This fact apart, the concrete features of American foreign policy in relation to Asia include attempts to structure positive relations with politically, socially and economically strong Asian countries or Asian groupings which can affect American interests. And furthermore, to ensure pre-emptive and preventive action against those Asian countries whose economic, foreign and defense policies and technological capacities challenge American interests. Hence, the twin objectives of giving high emphasis, first, on advancing the most open global trading system in history (subject of course, to it not affecting the US economy), and second, banning the spread of weapons of mass destruction while the US and its allies remain in
possession of such weapons to ensure an international politico-strategic order where America's overwhelming influence can be sustained. Given the dominance of the US and its allies in the post-Cold War global environment, it is only natural that countries of South and Southeast Asia also have to bear the brunt of such tactics.

However, the point to be noted is that Southeast Asia has managed to evolve effective strategies to cope with such international pressures alongside pressures emanating from domestic concerns. Whereas the South Asian countries have failed to do so and therefore, need to learn such tricks of survival in an increasingly convoluted international system from their prosperous neighbours. Indeed, the following scenario emerges from the above observations: On the one side, there is Southeast Asia - rich, free-wheeling, relatively stable and flexing its muscles for a greater global role. On the other, a South Asia - poor, politically unstable and struggling to overcome its socio-economic failures. All comparisons are dismal and they are particularly so when made between areas contiguous to each other. Yet, mention has been made of the contrasting scenarios in these two neighbouring areas primarily to highlight the possible areas of co-operation. Certainly, the inheritors of some of the oldest civilisations of the world ought to know better than to ignore the writing on the wall.

For South Asian countries, and particularly India to attain the position of a global power of significance, it is essential that the correct messages are sent to the important and influential members of the international community. Of these, the most important is the United States. Hence, India must also acknowledge America's present supremacy in global politics and evolve a more positive relationship with this superpower on this basis. Until the situation changed drastically in May 1998 following India's nuclear explosions, the country's relations with the US had been more or less balanced by an equal play of positive and negative forces. The contentious issues have been the NPT, missile technology and deployment, human rights, membership of the Security Council, and the question of Kashmir vis-à-vis Pakistan. At the same time however, the US businessmen have been displaying tremendous interest in India's reformed economic environment, hoping that India would emerge as a dynamic economy (akin to those of the ASEAN) with significant trade investment opportunities for the Americans. Despite the recent slackening of reforms in India, the American government is still committed to pushing for structural changes in most South Asian markets. This is particularly important in order to maintain the competitive edge of the U.S. industry vis-à-vis globally challenging players such as the European Community, the ASEAN, Japan and China. This stress on economic diplomacy and the linkage of it to the domestic economic priorities can provide openings for India to exploit to its own strategic advantage. Indeed, the Indian market and open-door policy for attracting investments can provide a distinct long-term opportunity for the US business to flourish. Which again brings us back to the conclusion that the recent slow-down in the Indian liberalisation process needs to be reversed soonest so that global investors do not lose the much-desired interest in the country's market, something that was achieved in the early nineties after much effort. This point has also been discussed in detail at the very outset of this chapter.

As regards the other aspects of Indo-U.S. relations, these have been lately guided by the May 1998 nuclear developments in the subcontinent. Indeed, alongside the substantially reduced global investment and confidence in India, the United States and its allies have been among the first to impose post-tests economic sanctions onto India and Pakistan. Though it is now opined...
that the sanctions have hurt India and lot less than Pakistan and that most globally-funded projects have been stalled only temporarily in India, it cannot be disputed that economic ties between India/Pakistan and the global elites have definitely taken a turn for the worse. 33 Even in other respects, the scenario has been most disheartening. For instance, at the first meeting after the nuclear tests between Indian and American officials in Washington on June 12, 1998, the message to India was: no seat in the UN Security Council and no testing or deployment of missiles. To top it all, the U.S. Deputy Secretary of State, Strobe Talbott told India’s special envoy, Deputy Chairman of the Planning Commission, Jaswant Singh, that the United States would not back India for membership of APEC. As for being acknowledged as a nuclear weapons state, forget it. Even two months, three meetings and hundreds of man-hours of hard bargaining later, the situation remains grim. Since India has not yet given clear-cut indications about signing the CTBT, the Americans will not yet commit themselves to a much-coveted presidential visit later this year or to a sequence of actions that could normalise Indo-American relations. In contrast, with Sino-American ties having received a major fillip in recent months, China and America have also joined hands at condemning both India and Pakistan over their nuclear ‘misdeeds’, thereby complicating the security scenario of Asia even further. Indeed, the official Chinese news agency, Xinhua said in an analysis of the prospects of Sino-American relations, “To maintain regional and global security interest of the United States, the Clinton administration needs to engage and work with China, the regional heavy-weight, in safeguarding stability and security on the western side of the Pacific rim” 34

In this context too, India has much to learn in the art of diplomacy from its powerful neighbour. Unlike India, China has fought wars with the U.S. in Korea and with Russia at Ussuri and elsewhere on its borders. The ‘hate America’ campaign and the extreme bitterness of the Sino-Soviet dispute are well-known facts. And yet, China has been able to use skilful diplomacy and the balance of power politics with the United States to build its economic strength. Simultaneously, it is now augmenting its military power and energy security through its relationship with Russia. This is in stark contrast with the performance of India in international politics and raises basic questions about the country’s understanding of the dynamics and nature of international relations in the post-Cold War era. In this regard, it would be useful to quote the old saying that ‘there are no permanent friends in world affairs -just permanent interests’. And that is precisely what India per se and South Asia as a whole, must remember while formulating all its future policies. More precisely, South Asia needs to meet two basic requirements if it wants to assimilate into the contemporary global scenario. First, South Asia has to establish clear and understandable principles about the relation between democracy, human rights, and the environment on the one hand, and economic growth and development on the other, and that the countries of South Asia should share that understanding of those principles with the global elites. And second, the South Asians should construct a multilateral framework that can bring about more stable security and build confidence among the countries encompassing the geographical area, and attempts should be made to relate this framework with an open and dynamic economy. Similar principles also apply to India per se. In an increasingly complex competitive international situation, India has to strive even harder to establish new political relationships, and to forge new strategic and economic equations. With membership to APEC having been denied yet again and the SAARC itself making no significant progress, membership in the ARF can be considered the only relatively recent positive development in India’s long-drawn attempts to become a part of
any significant regional arrangement. It remains to be seen, however, whether the ARF will actually become an effective platform for India to bolster ties with other parts of the world.

Nonetheless, the new Indian Prime Minister is said to be making commendable efforts towards regional co-operation through the SAARC by chalking out a broad-based economic and social agenda for the overall prosperity of member-countries. This has been specially necessary in view of renewed fears that sanctions on India and Pakistan may slow down investment in all of South Asia and consequently, hurt the smaller members of the SAARC indirectly. But at the 10th SAARC Summit held in Colombo in late July 1998, all the other SAARC member-countries accepted India’s proposals for new initiatives in economy, science and technology, and health, even as Pakistan’s insistence on security matters was largely ignored. Perhaps in realisation of the global trend that professes economic co-operation more than security compacts, the SAARC members also decided to renew their efforts towards the economic integration of the South Asian countries. They decided to take urgent measures to remove structural impediments in order to move speedily towards the goal of achieving a SAFTA by 2001. The leaders expressed the view that such a treaty must incorporate binding time-frames for freeing trade, measures to facilitate trade and provisions to ensure equitable distribution of benefits of trade to all states. They also took note of the repercussions of unrestrained globalization as witnessed in several Southeast Asian countries and vowed to learn from both the previously rewarding experiences as well as the recent mistakes of their eastern neighbours. At the same time, the Indian authorities also advocated intensified bilateral dialogue with the ASEAN on political and strategic issues, and offered to actively participate in giving a substantial boost to regional schemes for stepping up trade, investment and trade.

It is hoped that such trends would only be encouraged in the hope of imparting in the long-eluded quality of “region-ness" to South Asia in the not-so-distant future. For lessons from other parts of the world (such as neighbouring Southeast Asia) prove the fact that regional organisations have thrived mainly on co-operation in trade and economic relations which bring visible and tangible benefits to the people. The emergence of several trading blocs and economic groupings all over the world clearly indicates that the economic survival and prosperity of any nation in this increasingly competitive post-Cold War era crucially depends on its ability to successfully integrate with other economies. Despite some indications to the contrary, it would still not be erroneous to state that the prospects as well as compulsions for enhancing regional co-operation in South Asia are tremendous. In fact according to certain analysts of South Asian politics, there has been a growing realisation among South Asia’s states of the importance and necessity of constituting South Asia as a region, and to look for solutions to the problems of resource and security management within a regional framework. Once such a path has been well and truly adopted, India per se and South Asia in general can indeed begin to hope for a more effective role in the post-Cold War global environment. In this context, it must also be remembered that without an integrated economic, technological and military technology, none of the South Asian countries can ever hope to become significant global players. Thus, akin to the problems of South Asia, the solutions also seem to be intrinsically inter-related in nature. However, it must still be hoped that however complex, such solutions will ultimately be implemented in order to build an economically stronger and socio-politically more cohesive region called South Asia.
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27) From a report in The Times of India, New Delhi, July 30, 1998.


30) Stated in a study by the Rand Corporation, a US Think- tank, summarised in Indian Express, New Delhi, May 8, 1996.


34) Quoted in a report in The Times of India, New Delhi, June 15, 1998.

35) Reports in The Times of India, New Delhi, July 30 and August 1, 1998.