

Look East policy: Strategic imperative or imbroglia?

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In a world of shifting economic and political geography, foreign policy for a small country like Bangladesh should be guided by pure opportunity. We should meticulously assess the tectonics of geo-political and economic forces in order to forge a visionary foreign policy doctrine that is futuristic, opportunistic, and most important of all, flexible but attainable. The relevance of any foreign policy doctrine has to be seen in the context of an evolving global and regional power structure and our capacity to alter that power equilibrium. Given our small size, no economic power but strategic importance, our foreign policy should be aligned with those of the great powers of our time. But this has to be done with an eye on the contemporary flux as well as the future evolution of geo-political and economic power structure. "Look East" policy is a noble attempt towards that direction, but a myopic one. This note argues why.

Through the rise and fall of great powers, three distinct features define the greatness of powerful nation. A great nation of a time has to be the economic powerhouse of the world, with the mightiest military and most important of all, with a stable decentralised political system. Although the variables are in a constant flux, a punctuated equilibrium is reached when the correlation of these three variables takes a nation to the zenith of power, pride and prosperity. Undoubtedly, in today's world the culmination of that equilibrium is the United States of America. And the economic and foreign policy of every nation of today's world is formulated with that geopolitical set up in mind.

However, at least one of the sources of great power seems to be shifting once again. China has overtaken the United States in

the consumption of basic agricultural and industrial goods. It is now the world's biggest consumer of grain, meat, coal, and steel. Only in oil does the US consume more. China is well ahead of the US in the consumption of goods such as television sets, refrigerators, and mobile phones. The Washington-based Earth Policy Institute says that China is now an emerging economic superpower. However, per capita consumption in China, the world's most populous country, remains far below that of the US. According to the report: 64 million tons of meat were consumed in China in 2004 compared to 38 million tons in the US, 258 million tons of steel were used in China in 2003 compared to 104 million in the US, China's factories and homes burned 40 percent more coal than in the US, the number of PCs in China is doubling every 28 months.

China's economy, the sixth-largest in the world, has expanded by a breakneck 9.5 percent during 2004, faster than predicted and well above 2003's 9.1 percent. China's eclipse of the United States as a consumer nation is another milestone along the path of its evolution as a world economic leader. China is no longer just a developing country; it is an emerging economic superpower. Along with Japan and other newly industrialised Asian economies, China is writing a new Asian economic history.

Look East policy is a natural response to that emerging Asian century. But the foreign policy mechanisms of the ruling coalition have been very myopic in their noble attempt and failed in at least two aspects. First, the Look East policy doctrine lacks in defined objective and articulated vision. And second, it has discounted another sleeping giant from the future power dynamics, i.e. India. No wonder, our relation with our neighbour is at historic abyss.

But in today's world of foreign policy, the rule of the game is not ideology but opportunity. As a small player in that game we should tap into every possible opportunity to push forward our national interest. In that sense, Look East policy is a strategic imperative, but without a clear vision and understanding of shared prosperity with our neighbour, India, it is indeed a strategic imbroglia.

Look East policy was initially a brain child of Malaysian Prime Minister Mahathir Mohammad. In July 1981, Mahathir Mohammad became the Prime Minister of Malaysia, and after six months in his office, he announced an initiative to learn from the experiences of Japan (and Korea) in the nation-building of Malaysia. He considered that the secret of Japanese success and its remarkable development lay in its labour ethics, morals, and management capability. He felt a programme enabling young Malaysians to learn in Japan would contribute to the economic and social development of Malaysia. For this purpose, Malaysia decided to dispatch their students to Japan, to study not only academics and technical know-how but also to learn the labour ethics and discipline of the Japanese people.

This initiative is called Look East policy. The programme consists of two parts. The first is to send Malaysian students to Japanese universities and institutes of technology. The second is to send trainees to Japanese industries and training institutes. These programmes are funded by the government of Malaysia, and the government of Japan supports these programmes by sending Japanese teachers to Malaysia and also by sharing a part of its costs.

However, the well advertised Look East policy of the ruling coalition has failed to generate critical discourse from the intelligentsia and hence failed to articulate a clear vision for the future of the country. Without a clear vision, any policy doctrine even-



PM Khaleda Zia looking east?

tually breeds lassitude and lack of sincerity, commitment, and optimism from the masses. Look East policy, unless critically discussed and renovated will be destined to that fate.

Perhaps the more dramatic failure on the part of the ruling coalition is to be ostentatiously oblivious to the rise of India as a global economic powerhouse.

India is brimming with self confidence. It boasts the largest skilled workforce of 472 million in the world, most of them are literate and English speaking; the second largest pool of scientists; a hi-tech medical sector,

already attracting more than 100,000 foreign patients a year; a solid manufacturing base, turning out, among other things, the world's largest outputs of motor bikes and three-wheelers; the largest railway network in the world, including a just opened, indigenous \$2 billion subway in New Delhi; an information technology sector, which has grown 40 times in a dozen year to \$20 billion a year and is poised to cut into the coming boom in the software services, from the \$650 billion world-wide today to \$3 trillion in five years.

With an annual growth rate of

7 percent a year, India is among the world's top 10 growing economies. In purchasing power -- what your money can buy -- India is fourth behind only America, the EU, and China. The US National Intelligence Council in its long term growth forecast puts India right behind China. But it is more optimistic about India because India has a decentralised political system that can evolve with the increasing domination of free enterprise.

Shrouded under the economic indicators, a new consumer culture is emerging in India. Conspicuous consumption is

replacing the traditional values of thrift and savings. About 1.6 million mobile phones are sold every month and 300,000 motor cycles. Auto makers cannot cope with the demand. Banks lend \$15 billion a year for housing. India and China Inc. are firing on all cylinders.

This prompted Craig Barrett, CEO of Intel Corporation, the world's largest computer chip maker saying: "I worry for the US and I worry for my grandchildren." China and India, two mighty giants, are out to eat America's lunch.

Look East policy recognises the place of China and other newly industrialised and emerging Asian economies in the future economic and political order. But it is oblivious to the emergence of India as a global economic powerhouse. Look East policy is a strategic imperative, but discounting India from the future power dynamics would be a serious miscalculation. Unless the ruling coalition improves ties with our neighbour, the loss in economic trickle down from the shared prosperity with India might be too high price to pay for the generations to come.

Economic progress through shared prosperity follows the laws of gravity. The pull factor is always greater than the push factor and the geographic distance of the foreign country tends to be negatively associated with the propensity to trade with that foreign country. Although the technological leap in transportation is defying the forces of gravity, a good and prosperous neighbour is always economically more beneficial for a poor country like Bangladesh.

Economic trickle down at the country level is happening all over the world. A relatively large and developed open economy like Canada has more than 80 percent of its trade with its neighbour, the giant US. A relatively small open economy like Malaysia has a very prosperous trade

relationship with its richer neighbour Singapore. I am not quite sure how much we have gained from being the neighbour of an emerging economy like India, and Indian prosperity in the IT industry is having virtually no trickle down effect in Bangladesh. This partly has to do with our own failure and partly with India's attitude to treat us as a poor relation rather than a partner in shared prosperity.

But in today's world of foreign policy, the rule of the game is not ideology but opportunity. As a small player in that game we should tap into every possible opportunity to push forward our national interest. Given our geopolitical set up, it is a strategic imperative that we build a strategic partnership based on shared prosperity with the great powers, but also cut into the future economic powerhouses by clearly defining the flexible but attainable foreign policy doctrine to align our national interest with that of the future global power structure. In that sense, Look East policy is a strategic imperative, but without a clear vision and understanding of shared prosperity with our neighbour, India, it is indeed a strategic imbroglia.

The economic and political geography of the world is constantly changing. So are we. We have 150 million mouths to feed, but we also have 300 million strong hands. China and India Inc. are oozing cold confidence that each child is born not only with an empty stomach but also with two strong hands. We have to turn our 300 million hands into iron fists and start collecting the bounties of the shared progress in the new Asian century. A silent takeover is under way; unfortunately we are yet to wake up.

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Is it possible to make poverty history? Safta and regional trade prospects

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THIS Wednesday Gleneagles (in Scotland) hosted a significant and unique global event, the G-8 summit 2005. The summit will be attended not only by the leaders of the G-8 countries, but also by those from the major emerging economies (i.e. India, China, Brazil, and Mexico) and African nations. Targeting this summit, Sir Bob Geldof (Irish musician and activist) arranged the world's biggest musical concert in history, Live 8 in Hyde Park, London. A million people gathered on Saturday, not only in London, but also in Paris, Philadelphia, Tokyo, Moscow, Berlin, Johannesburg, Rome, and Barrie in Canada in the sister concerts. Half of the world watched it on TV.

Now the question arises, why a musical concert targeting a political and economic summit? And why the whole world is with the concert? What songs did they sing that bring the conflicting and divided world together? All this became possible because of the slogan of the concert: "Make Poverty History." The concert Live 8 was not only the greatest rock show in the world; it can claim political status as well.

This huge crowd in 10 countries was an attempt to convince the G-8 leaders prior to their summit that an awful lot of people want to help the third world countries. Their priority was Africa because it is the only region of the world that has become poorer in the last 30 years and its share in global trade has dropped by two-thirds in the past 25 years. Half of its people live on less than \$1 a day and life expectancy is falling due to the serious threat of HIV. The "Make Poverty History" campaign has three objectives -- cancel national debt for the poor countries, double the aid to the third world, and ensure fair trade. Now the question is, if these objectives are fulfilled would poverty be history? And what is its relation with the G-8? Before searching for answer it is important to know about the purposes, goals, and importance of the G-8 summit.

The G-8 started its journey in 1975 through a gathering at Rambouillet, near Paris, and the problems were economic. That time it had only six members: the US, the UK, West Germany, Italy, France, and Japan. The six became seven when Canada joined one year later. For a few years, the Group of 7 stayed true to its original economic aims. However, this aim changed with the election of Roland Reagan. The US president, determined to counter the threat of the Soviet Union, saw the G-7 as a political as well as an economic powerhouse. When the Soviet Union collapsed, the G-7 looked east and turned its hand to economic regeneration. In turn, this led to the admission of Russia as a full member at Birmingham in 1998.

The entrance of Russia reveals one of the summit's main features -- the ability to change with the times, which makes it difficult to define the G-8. It is not a decision making body but a "conversation" among the rich nations. It has no constitution. Decision making procedure is

Nelson Mandela appropriately observed at the Johannesburg concert that "overcoming poverty is not a gesture of charity; it is an act of justice. It is a protection of fundamental human rights." When the whole world is coming together we would love to believe that poverty will be history. If the G-8 leaders cannot hear the third world's cry, we can expect that they cannot ignore the millions and millions of voices all over the world.



Plea to President Bush and PM Tony Blair.

informal and compliance is voluntary. Its presidency changes every year and there is no fixed manifesto. According to Nicholas Bayne, former British diplomat and author of Staying Together: The G-8 Summit Confronts the 21st Century, "Only intractable international problems, which cannot be settled at lower levels, come up to the summit." So the G-8's main job is to deal with global issues that cannot be solved through other institutions. Though critics might query the solutions, there is no doubting that the G-8's desire to tackle international blights such as world poverty and Aids. These are some of today's intractable problems and great faith is put in informality to get results.

Although the G-8 leaders are honestly talking about world problems, there are lots of criticisms against them. It is clear that there are some ideas which find favour with the Americans and not the Europeans, and some which find favour with the Europeans and not the Americans. The problems also lie in trying to please two audiences -- the domestic and the global. Who comes first: the African farmers or the French ones? The US oil producer or the UK green lobby? Critics wonder if the G-8 will ever be able to reconcile such conflicting interests. However, in an increasingly interdependent world, the value of the G-8 lies in its personal quality. It brings together the leaders of eight of the world's most powerful nations and reminds them of their responsibility to cooperate internationally, rather than acting unilaterally or giving away to domestic pressures. In this year the G-

'8's main two priorities will be the poverty in Africa and the impact of the fast changing climate on our world, now and in future years.

The whole world has lot of expectation from this summit. Although the United Nations is the proper forum for collective action on poverty, the G-8 consists of the world's richest and most powerful countries which have the strength to make a difference. These countries' good intentions can facilitate achievement of millennium development goals (MDGs) to establish "intra-generational equity" and sustainable development. The G-8 leaders already agreed on the first two objectives of the "Make Poverty History" campaign. UK Chancellor Gordon Brown's "Marshall Plan for Africa," set out in early June contain 100 percent debt relief for the world's poorest countries, mainly in Africa, worth an estimated \$15 billion over the next 10 years. It also contained a direct increasing aid, with Europe aiming to reach the UN target of 0.7 percent of gross national income (GNI) by 2015, and doubling aid from \$40 billion to \$80 billion by 2010.

But they did not agree on the fair trade issue to provide African countries' the same access conditions to the developed countries in the world trade market. Aid can mitigate some immediate needs, but cannot eradicate poverty and is criticised for encouraging corruption. On the other hand, cancelling national debt may encourage taking more debt. In such a situation, it is important to reform the international trading system to enable Africa to participate effectively in

international trade and investment which can ensure a stable development and prosperity. The push for "more and better aid" will not transform African countries into economic powerhouses. The real freedom from poverty can come to African people through economic development which is possible by the support of the G-8 leaders.

Five years ago, all the world's governments came together to adopt the Millennium Declaration, seen as a blueprint for building a better world in the 21st century for reducing poverty and improving living conditions. That landmark document captured the aspirations of the international community to achieve peace through decent standards of living for everyone. And the success of the Live 8 concert boasted Kofi Annan's confidence that "a better world is possible." The concert is a call for justice, the empowerment of the powerless and the poor. Nelson Mandela appropriately observed at the Johannesburg concert that "overcoming poverty is not a gesture of charity; it is an act of justice. It is a protection of fundamental human rights." When the whole world is coming together we would love to believe that poverty will be history. If the G-8 leaders cannot hear the third world's cry, we can expect that they cannot ignore the millions and millions of voices all over the world.

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THE seven nations of Saarc entered a new phase of its meaningful existence with the formation of the South Asian Free Trade Area (Safta). The 12th summit held in Islamabad witnessed a revitalisation of Saarc that led to a historic decision for wider trade and economic cooperation in the region by creating a free trade zone -- Safta. The Saarc declaration issued of January 4, 2004 reflected the shared desire of the member countries to promote free trade to help alleviate poverty in the South Asian region. The Safta framework agreement, which was signed in Islamabad in January last year, is scheduled to be formally launched on January 1, 2006. It will be followed in six months by formal launching of another regional free trade bloc -- Bimstec.

The fate of the proposed bilateral free trade agreements (FTAs) with neighbouring India, Pakistan, and Sri Lanka is still hanging in the balance, as the government of Bangladesh in a major policy shift, is now attaching more priority to regional economic and trade groupings like Safta and Bimstec. The governments of Bangladesh, India, Pakistan, and Sri Lanka earlier, in principle, agreed to sign FTAs among themselves after holding a series of bilateral meetings in a bid to enhance economic and trade relations between the neighbours. Bangladesh in recent days has realised the potentiality that the new trading blocs like Safta and Bimstec offer, and will not speed up the pace of bilateral trade negotiations in the South Asian region before the formal inception of Safta.

There is a lesson to draw from the history of creating similar trading blocs in other parts of the world. When discriminatory trade is practiced among a group of nations for mutual benefit, a preferential free trade zone gets created. There were as many as 24 FTAs, 6 Custom Unions (CUs), and 3 Common Markets (CMs) until 1991. The number of FTAs and trade blocs has increased substantially in recent years as the World Trade Organization (WTO) has taken a back seat following the Cancun meeting in September, 2003. Therefore, the necessity for creating trading blocs and signing FTAs has been brightened across the world. The existing arrangements of FTAs and trade blocs involved 45 countries in Africa, 26 in Europe, 32 in the American hemisphere, and 13 each in the Asia-Pacific and the Middle East regions. United States has already signed Trade and Investment Framework Agreements (TIFAs) with Malaysia, Indonesia, Philippines, Brunei, and Bangladesh. Moreover the Free Trade Bloc of American Hemisphere involving 34 countries is in the offing, which will be the world's largest free trade area with a market of some 800 million people and total trade of \$3.5 trillion annually.

Intra-regional trade has grown better, particularly in the developed countries. In the competition for scarce resources, more cohesive and better organised grouping in

intra-regional trade have become able to back up their demand with stubborn negotiations. European Community (EC), North American Free Trade Agreement (NAFTA), and Association of South East Asian Nations' (ASEAN) role in the General Agreement of Trade and Tariffs (GATT) can be taken as an example for their collective strength in promoting trade and commerce. The South Asian and African regional

commerce, but also been contributing to peace and stability. The EU also provided an economic environment in which small countries once they entered the Union, benefited enormously. Before becoming an EU member, Ireland was 38 percent poorer than the EU, today it is 21 percent richer than the other members. Asean has a population of about 500 million and a combined GDP of \$737 billion.

The forthcoming 13th Saarc summit, which is scheduled to be held on November 12-13 in Dhaka, is likely to deliver its best in breaking away most of the trade barriers in the South Asian region to usher in an era of prosperity, cooperation and development.



Preparations for 13th Saarc summit in Dhaka.

groupings, however, reflected their powerlessness externally and tenuous harmony of interests and reciprocal obligations internally, thus undermining their own bargaining position in the international regimes.

The European Union's impact on its member countries was not confined only to economic benefits. The European Common Market became the European Union (EU) in 1992 and is evolving a common defense and foreign policy. Asean has also developed the South Asian Forum, to involve the major powers from across the world into shared action to promote peace and also to counter any negative trends like global terrorism. The successful regional groups like the EU and Asean have not only been working for growth and development of trade and

Whether regional trade agreements like Safta would create more trade and investment in the participating countries doing away with the disadvantages of the current world trade regime, was the theme that featured the meeting of the World Bank's annual publication "Global Economic Prospects-2005," held recently in the city. Speaking at the launch of the report, World Bank Country Director Christine Wallich said Bangladesh's trade volume -- both imports and exports -- have increased three times since early 1990 and the boost has essentially come from the liberalisation of the country's trade regime. She said as the South Asian countries are moving towards launching Safta, it is time they should take care of the trade exclusionary effects of such arrangement. Wallich speaking on

the issue also said that regional trade agreements such as Safta can better serve the consumers and producers of participating countries without discriminatory rules such as the rule of origin and the sensitive negative list.

The trade experts from Saarc countries met in Male, the capital of the Maldives, in March to negotiate various issues of Safta, including negative list and rules of origin, compensation package for tariff lost, and technical assistance for developing countries like Bangladesh, Nepal, and Bhutan. Bangladesh placed sensitive list of 1,306 items while India incorporated 927 items, Pakistan 1157 items, Sri Lanka 1065 items, Nepal 1315 items, Bhutan 132 items, and the Maldives 582 items. Although Bangladesh and other least developed countries (LDCs) in Saarc intended a value-addition of 30 percent, they however, agreed up to 35 percent value addition in the rules of origin criterion. The Safta was a move that was launched in 1995 to ease such barriers that hinder trade and commerce. We are hopeful about working out a formula for finalising a common list of sensitive items, on which member countries do not have any reservation.

A conference on Safta Agenda for Trade Liberalisation" organised by the Saarc Chamber of Commerce and Industry and FBCCI in association with Friedrich Naumann Stiftung (FNST) held on June 27 in the city. The speakers at the conference stressed that India should play its due role for successful implementation of Safta. Bangladesh now faces a tough time in entering the Indian markets because of high tariff, para-tariff, and non-tariff barriers, though it is the third largest export destination for India. As consensus has emerged in the grand meeting of the businessmen of the Saarc countries in Dhaka, India will have to shoulder a bigger responsibility in making Safta effective.

The forthcoming 13th Saarc summit, which is scheduled to be held on November 12-13 in Dhaka, is likely to deliver its best in breaking away most of the trade barriers in the South Asian region to usher in an era of prosperity, cooperation and development. It was not possible for the South Asian region to contemplate any trade and economic cooperation among the countries of the region as long as India and Pakistan viewed each other with hostility. Many hurdles are yet to be crossed before Safta could become operational, since the interests of all the member countries have to be protected in order to evoke their spirit. This grouping of the South Asian countries shall have to negotiate for achieving a more equitable order for their members as the globalisation process picks up speed. An effective trading and economic alliance among the South Asian nations may also create a congenial political atmosphere in the region to discourage armed conflict.

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