

fend our rights . . . to life, to receive education, and medical care (which no policy can postpone), and the unrenounceable responsibility of strengthening the elderly . . . and the children,” whose needs are “today treacherously set back and disregarded.”

As social protest and popular anger grows—a general strike is about to be announced—one hopeful sign is a document issued on May 29 by the Argentine Industrial Union (UIA), entitled “Bases for Rebuilding the Nation.” Under new leadership, which is closer to national companies which produce for the domestic market, the UIA had submitted the document, which is harshly critical of the government’s economic program, to the Bishops Conference in advance. Pointing to “factory closings, denationalization, and unemployment,” the document warns that “the time to carry out urgently required initiatives is running out, and social impatience is seen in actions whose violence and aggressive force, are dictated by desperation.” It concludes that Argentina “can and must fight for the gradual elimination of poverty, but cannot accept the existence of hunger among its people.”

Is Anyone Listening?

Argentina’s political leadership is thus far ignoring the bishops, the Cardinal, and the Pope. To attract foreign creditors to a \$20 billion debt-swap plan he hopes will avoid default on the country’s \$211.7 billion foreign debt, Cavallo has come up with a new, and more perverse looting scheme. He proposes to introduce a “public credit law” into Congress, by which tax revenues would be assigned as guarantee of payment of the new bonds. This, despite the fact that tax revenues have been declining steadily, 9% lower in April than a year ago.

Should the law be approved, it would make bondholders “privileged” creditors of the state, with priority collection rights over suppliers, public employees, or retirees. The best analogy is the gunboat diplomacy of colonial powers, Teddy Roosevelt-style, who seized revenues from countries’ customs houses or tax revenues to guarantee debt payment.

At a May 24 press conference before the elites of the Buenos Aires financial community, Cavallo officially announced that the government would be issuing three groups of high-interest bonds, in the range of 14% to 15%, with differing maturities, to swap \$20 billion in short-term debt for longer-term bonds. He then left the country on an international tour, in the company of his mentor, former U.S. Deputy Treasury Secretary David Mulford, now a Crédit Suisse-First Boston executive, to help convince international bankers to participate in the swap. It was Mulford who originally proposed the plan to Cavallo.

No one, certainly not Argentina’s creditors, believes that this scheme is going to work, just as the IMF’s \$39.7 billion bailout last December did not work, despite all the government blather about Argentina being protected by “financial armor.”

India, Malaysia Pledge Broader Cooperation

by Ramtanu Maitra

Continuing with his “Look East” policy, adopted less than a year ago, Indian Prime Minister Atal Behari Vajpayee concluded a successful May 13-16 visit to Malaysia. As became evident from the outcome of the trip, both India and Malaysia were keen to expand their economic and trade ties. While broader security and strategic issues were discussed, the emphasis was on how to benefit from each other’s economic and technological strengths, and to jointly fight the threats posed by the globalization of economies and the broken-down international monetary system.

Since the last visit by an Indian Prime Minister, P.V. Narasimha Rao in 1995, a lot of changes have taken place, not only in Malaysia, but also on the world scene. Not the least of which is the emergence of China and India in Asia, the region’s two largest nations, and their willingness to integrate Southeast Asia with North and South Asia.

India’s ‘Look East’ Policy

Despite the fact that India has enduring civilizational relations with Southeast Asian, India has for years virtually neglected to strengthen its ties with the region. The Non-Aligned Movement (NAM), which was inspired by India, Yugoslavia, Indonesia, and Egypt during the 1950s, for a while brought India closer to a number of Southeast Asian nations. But the muscle of the Cold Warriors, as exhibited in Vietnam and elsewhere, and the economic and political weaknesses of the NAM member-nations, changed the scene quickly. By the end of the 1960s, Southeast Asian nations had become an extension of American allies in the Pacific. Japan played second fiddle, while Washington set up the security and economic structure for Southeast Asia.

Japanese and Western investments in the region brought prosperity to Southeast Asia, where five major nations formed a loose non-military federation, calling itself the Association of Southeast Asian Nations (ASEAN), to facilitate rapid economic development and internal non-tariff trade. The grouping was a huge economic success, and it raised the quality of life for its citizens significantly.

But, at the same time, the policy actions formulated by the grouping virtually cut the region off from the two largest nations in Asia—China and India. While China was identified in the region as a communist nation, and hence a threat, India was considered simply an extended arm of the erstwhile Soviet Union. In the corridors of power in New Delhi and

Beijing, ASEAN remained “suspect” because of its strong ties to the United States and the unequivocal support it had lent to the West in the Vietnam War.

Things changed in the post-Cold War days. Both India and China, having shed the Cold War taboos, have conceptualized the importance of developing strong bilateral trade and lasting economic relations with the ASEAN member-nations. Meanwhile, ASEAN has grown to include the economically weaker northern nations of Laos, Cambodia, Vietnam, and Myanmar. Both New Delhi and Beijing (Beijing realized it earlier than did New Delhi) came to realize that in order to develop efficient trade and economic relations with the expanded ASEAN, it is necessary to develop infrastructure links and technological parity.

The Lost Years

Prime Minister Vajpayee, while in Malaysia, referred to the “lost years” in a public address. He said:

“The theme of shared perspectives between India and ASEAN should be self-evident. History, geography, and economics have provided compelling logic for unity and purpose of action between us. Yet, roughly 50 years after India and the ASEAN countries attained their independence, we are discussing a subject, which should by now have been an accepted wisdom. . . . We are conscious that in the first few decades after our independence, we did not attain the full promise of our relationship. . . . The full scope of our partnership was constrained by divergences in economic ideology, political outlook, and security assumptions, which the Cold War imposed on us.”

Referring to the broken Cold War molds and India’s growing interest in the region, India’s Prime Minister stated that while India looked east, ASEAN moved west—a reference to Myanmar joining the regional grouping.

It is in this context that Prime Minister Vajpayee last January visited Vietnam and Indonesia, and now Malaysia. External Affairs Minister (and now also Defense Minister) Jaswant Singh’s November visit to Laos and February visit to Myanmar, and former Defense Minister George Fernandes’s March 2000 visit to Vietnam, fit into an effort to integrate India economically and technologically with the Southeast Asian nations.

New Initiatives

Jaswant Singh, during his visit to Laos, established the six-nation Mekong-Ganga Cooperation (MGC) grouping. The MGC will involve the member-countries in the development of transport networks—in particular the East-West Corridor and the Trans-Asian Highway—under the rubric of transport and communications. The MGC Declaration also spelled out greater cooperation in science, technology, and human resource development.

During his trip to Vietnam and Indonesia, Vajpayee set about to establish strong trade and security ties with both

countries. The agreements reviewed visits of a number of Vietnamese atomic scientists to nuclear facilities in India, and said that “the Indian scientists would continue to cooperate with the Vietnamese Atomic Energy Commission on the technical and functional aspects of the Dalat Nuclear Research Institute.”

The visit took on added significance in view of the Mekong-Ganga project initiated in July 2000, in which Vietnam is a member, because Vietnam is currently chairing ASEAN’s standing committee.

Last March, during the visit of former Indian Defense Minister Fernandes to Vietnam, India had signed a defense agreement whereby it will repair and overhaul Russian-made MiG-21 and MiG-28 fighters of the Vietnamese Air Force and provide training to Vietnamese pilots. India has also agreed to set up Vietnamese defense industries, and would work out joint defense production involving the two countries. India’s state-owned Oil and Natural Gas Commission, which already operates in Vietnam as part of a consortium with British Petroleum and Norway’s Statoil, signed a \$238 million joint venture with Vietnam’s Petroleum Investment and Development Company.

In Myanmar, India, in collaboration with authorities there, has built a 160 kilometer road connecting the border town of Tamu to Kalemmyo in Myanmar. The road will be extended further to Mandalay and will become a part of the Trans-Asian Highway with links to China. India will also cooperate in the construction of the Yeywa Hydroelectric Project near Mandalay, and a team from the Indian Power Ministry will soon be visiting Myanmar for further discussions and a preliminary on-site survey. The two countries have stated their agreement to develop the Akyab (Sittwe) port, which will allow goods from India’s northeast access to the Andaman Sea.

It is clear that India is committed to cooperating with Myanmar in more infrastructure projects. While inaugurating the Myanmar-India Friendship Center for Remote Sensing and Data Processing in Yangon, the capital of Myanmar, the Indian External Affairs Minister said: “It gives us immense pleasure to be partners in this project with Myanmar,” which includes “the applications of remote sensing cover, weather forecasting and disaster management capabilities, determination of forest cover and other land-use delineations, cropping surveys, urban planning, environmental monitoring, and groundwater survey.”

India’s growing relationship with Myanmar has already begun to bear fruit. In the second week in May, Myanmar troops cooperated with Indian border forces to fight the secessionist groups operating in India’s politically volatile northeast.

It is certain that if such cooperation is extended to the full, the flow of arms and drugs coming in from Southeast Asia to the Indian subcontinent, which keep the secessionist groups effective, can be stopped. This will inevitably lead to a condu-

cive climate for developmental work in northeast India and the bordering areas of Myanmar.

The Trip to Malaysia

The visit of Prime Minister Vajpayee to Malaysia had been scheduled for Feb. 8, but was cancelled as he became involved in the relief operation following the massive earthquake in Gujarat. What became evident throughout his trip is that the world has changed since February, and new compelling issues have emerged. One such issue that came under discussion, is the U.S. initiative to abrogate the Anti-Ballistic Missile (ABM) Treaty and put in place a National Missile Defense system. While New Delhi has extended enthusiastic, and yet conditional, support to the initiative, Malaysia has rejected it.

Another issue was Kashmir. Although the Kashmir conflict between India and Pakistan is almost 53 years old, it is only since last November that there has been hope of a peaceful resolution. It became evident to the Indian Prime Minister that while Malaysia is keen to see the conflict end, it has reservations about the way India has handled the conflict so far.

The trip, however, proved that the differences between India and Malaysia are less significant than the agreements. Vajpayee said during his discussions with Malaysian Prime Minister Dr. Mahathir bin Mohamad that they had agreed on the "urgent need for an early reform of the international financial architecture." Trade talks had a more positive outcome. India expressed a desire to form a regional trading bloc with ASEAN. Having been badly burnt four years ago in the Southeast Asia currency crisis and economic slowdown, Malaysia, as India's country coordinator in ASEAN, promised to work on the idea. Both prime ministers agreed to cooperate in the forthcoming World Trade Organization (WTO) talks to protect the interests of the developing nations. It is expected that Malaysia will lend support to India in the discussions with the WTO on intellectual property rights (known as TRIPs), tariff rates, subsidies, and other areas of contention with the world body.

A number of economic agreements were signed during the trip. The most significant in the area of infrastructure was the signing of a contract for the dual tracking and electrification of rail lines from Ipoh, a city in northern Malaysia, to Padang Besar along the border with Thailand. The project cost is \$1.5 billion, the largest contract ever awarded to India's public-sector rail construction company, IRCON. India told Malaysia that it would accept palm oil as payment for carrying out the rail project. Malaysian companies are now involved in the construction of 13 highway projects in India.

The Business Angle

Vajpayee was accompanied by a 134-member business delegation, with senior representatives from about 75 Indian business houses.

Vajpayee, in his keynote address at the business forum, called on Malaysian companies to invest more in infrastructure projects. "We see a win-win situation for both countries," Vajpayee said in an interview with the Malaysian daily *The Star*. India is good in software and Malaysia in hardware. Malaysia is also good in infrastructure sectors such as telecommunications, shipping, and road construction, and India could provide the rail construction skills that Malaysia needs, Vajpayee pointed out.

On the other hand, palm oil proved a sticky issue. Malaysia is the largest producer of palm oil in the world and India is the biggest consumer. However, palm oil imports to India were on a slowdown following hefty import duty imposition amounting to as much as 92.4%, primarily because of pressure from local farmers of edible oil. For Malaysia, it is a grave issue: If exports do not increase, thousands of small farmers will face serious financial difficulties. While Vajpayee agreed to a review of the duty, Indian authorities admitted that the cut could be as low as 10%.

Strategic Issues

Prime Minister Vajpayee, during his speech at the banquet hosted in his honor, made no bones about India's keenness to get included in a strategic dialogue with ASEAN. Earlier, Malaysia had made clear through diplomatic channels that ASEAN is not quite ready for it. Given the fact that Malaysia has openly stated that it is satisfied with India's current status, a restatement of India's interest by the Prime Minister at a public lecture only confirms India's eagerness to have a seat at the high table.

"India already has a fruitful annual dialogue with the European Union at the summit level. We consider it in the mutual interest of both ASEAN and India that we have a similar institution. If we could intensify our interaction and synchronize our actions in world fora, we can together form a formidable force working for global peace and security," the Indian Prime Minister said.

The security of ASEAN and India is closely interlinked, and India, as a nuclear weapons state, is willing to respect the nuclear-free status of Southeast Asia by converting this recognition into a *de jure* commitment, Vajpayee assured his hosts. No other nuclear weapons state has so far made such a promise, the Indian media noted.

Pointing to the necessity — now more than ever before — to collaborate with each other, Vajpayee said: "The nature of the global village has made it necessary to tackle even non-military issues of security in a comprehensive manner. Our region lies alongside sea lanes of great strategic importance, which need to be protected. Poverty and shortage of energy threaten the stability of societies. . . . There can be no effective solution to these problems within national boundaries. They have to be tackled through a cooperative approach, holistically and regionally. The security dialogue between India and ASEAN is therefore of utmost importance."