Asia Society debates new 'Thatcher raj' for subcontinent

by Kathy Wolfe

"South Asia's huge emerging market represents one of the last untapped economic frontiers in the world," Carla Hills, U.S. Trade Representative under George Bush, told the press in opening the Asia Society's conference, "South Asia and the United States after the Cold War," in Washington on Sept. 21-23. "American business is well positioned to benefit from the region's economic opening," she said, praising the trade liberalization measures of the past few years of India, Pakistan, and other nations in the region. Hills and former Bush ambassador to the Soviet Union Arthur A. Hartman co-chaired an Asia Society Study Mission to the Subcontinent in April whose findings were presented.

South Asia and the U.S. after the Cold War, also the title of an 84-page report released at the conference, recommends, in addition to vastly expanded U.S. trade with the region, that the U.S. government "avoid public confrontation lecturing, and attempts to dictate policies" on human rights and other areas to South Asia, Ambassador Hartman told the press.

It also recommends a full review of U.S. laws suppressing nuclear power and other high-technology exports to the region, and calls for support of nuclear power development there (see interview with Study Mission scientist Dr. C. Kumar N. Patel, p. 14). The report, which also correctly attacks postwar U.S. neglect of the huge region, was praised by subcontinent participants as "South Asia-friendly."

Given the important upcoming U.S. trade mission to India by Undersecretary of Commerce Jeffrey Garten on Nov. 14-18, and by Secretary of Commerce Ron Brown in January 1995, these recommendations are timely and welcome. India, with a population and market size approaching that of China, has been targeted by the Clinton administration as one of the top 10 emerging markets for U.S. exports.

London fears for NPT

The devil in the Asia Society's South Asia project, however, is in the detail. After three days of discussions with participants, many of whom are honest individuals who urgently seek economic development for the region, it was clear that the Asia Society's own unstated intent is nothing of the kind.

First, the Asia Society is just reacting to the widespread rejection by Indians, Pakistanis, and others of U.S. South Asia policy, which has resembled imperial British policy under recent Henry Kissinger regimes. George Bush's Kissingerian diplomacy consisted of bombing small countries and applying technological apartheid, i.e., denial of advanced technology, to the rest. Under Bush, especially, the message to the region was: Don't create babies, bombs, or too much dirty industry. Kissinger, who publicly touted his allegiance to Britain in a speech to the London Royal Institute of International Affairs on May 10, 1982, is a protégé of the Rockefeller family, which runs the Asia Society.

The Anglo-American establishment is especially nervous about the fate of their prized Nuclear Non-Proliferation Treaty (NPT), long rejected by India and Pakistan, which expires in 1995. The NPT has allowed the U.N. International Atomic Energy Agency (IAEA) to create a world nuclear police, which threatens global sanctions against any country that won't obey IAEA dictates.

The demise of the NPT is an idea which delights many nations. "The U.S. resembles an adult admonishing the children not to smoke, while puffing heavily on several large nuclear cigars," one Indian official told the Federation of American Scientists last February.

At a Geneva meeting on the NPT on Sept. 12-16, Nigeria, Colombia, Mexico, Egypt, Indonesia, Iran, and Burma (Myanmar) issued a joint statement denouncing "indefinite extension" of the NPT, attacking the atomic bomb monopoly of the five U.N. Security Council "nuclear weapons states." "There's not a lot of enthusiasm in Germany for renewing NPT, either," a leading anti-nuclear activist complained to a journalist recently. As one Japanese diplomat said, "Why should an industrial junkheap such as Britain be permitted to build more nuclear missiles, while it's forbidden to Japan?"

Such opposition must not go unchanneled, someone is doubtless thinking on Downing Street and Park Avenue.

Kennedy versus Thatcher

Second, the Anglo-American elite is well aware that the subcontinent's billion-plus people constitute a potential market to rival that of China, a market for which Japan, Germany, and other nations are already vying strongly, as Bangladesh Special Envoy for Foreign Investment M. Morshed Khan told the conference.

Third, President Clinton, who is not controlled by the East Coast establishment, is forging a totally new policy, as

Secretary Brown's August trip to China shows. Administration voices are already calling for the "greens" in Washington to drop their opposition to clean nuclear power exports. Brown also made clear that Clinton has junked the Bush policy of viewing China, India, and all developing nations as a dumping ground for cheap-labor sweatshops. President Clinton, he said, wants rather to create high-wage U.S. jobs by exporting high-technology heavy capital equipment made in America.

Most important, as his National Export Strategy report makes clear, Clinton has "junked a 12-year tradition of laissez-faire government to fight for U.S. exporters in the global market," as Secretary Brown said in Beijing on Aug. 29, and is planning to mobilize the U.S. Export-Import Bank to finance "mega-projects," i.e., large-scale infrastructure projects.

The reality is that projects of the magnitude required to put in nuclear electricity power grids and also competent high-speed rail, water development and delivery, sanitation, and health infrastructure in the subcontinent or China require major U.S., OECD, and subcontinent government investment, as did President John Kennedy's Apollo moon-landing program of the 1960s. Infrastructure investment is never profitable to private investors alone. As with the manned moon landing, however, if governments concentrate on infrastructure, the private sector will create entire new industries to go along, returning $10 in private tax receipts for every $1 spent.

But the conference made a frontal assault on the idea of government help for huge projects. Ambassador Hills echoed the Sept. 19 and 20 speeches in Bombay and New Delhi by London's Baroness Margaret Thatcher, who proposed her own shock therapy regime in Britain as the model for India. In her panel, "Economics: A Basis for a New Relationship," Hills praised South Asian economic liberalization in the past few years but insisted that far more must be done, and said that governments must simply get out of the trade and investment business altogether.

South Asian nations "must privatize their state sector industries, lift rules controlling domestic and foreign equity investment, further lift trade tariffs, lift labor rules, remove all subsidies to fertilizer, agriculture, and other industries, and generally expand the breadth and depth of reforms to fully open their economies as Mexico and China have done," she said.

Mexico, and China until recent changes, have followed the Thatcherite policy of cheap labor. Specifically, they have slashed government infrastructure projects to drive people from the land, then used this source of very cheap labor to set up *maquiladora* sweatshop light export industries. Very profitable to foreign investors in the short run, in the medium run they lower the overall wage levels in the country and in the world, lowering living standards and creating slums, not development.

MIT-trained Indian free trade economist Isher J. Ahluwalia of the Center for Policy Research in New Delhi, speaking on the same panel, endorsed this approach, and denounced the U.S. labor movement for trying to keep tariffs on South Asian textiles because they are produced in substandard labor conditions, including extensive child labor. Mrs. Ahluwalia's husband, Montek Singh Ahluwalia, second in command under Indian Finance Minister Manmohan Singh, has led the charge since India's 1991 liberalization in implementing the demands of the International Monetary Fund (IMF) for total free trade.

Hamilton versus Adam Smith

EIR has been all for India's reform of its dilapidated socialist economy (see *EIR*, April 24, 1992, "Economic Reforms to Unleash India's Potential"). This author, expecting a positive reply, asked whether the Thatcher-IMF shock therapy, which has proven in Russia and eastern Europe to bring galloping collapse, could be avoided in South Asia by choosing the "third way" of public credits for infrastructure improvements to foster an otherwise private economy, as pioneered by U.S. Treasury Secretary Alexander Hamilton.

To my shock, Ambassador Hills was apoplectic. "I must strongly disagree," she said. "Those countries with an industrial policy have not done as well as those which have not had an industrial policy. If you think that Japan, for example, has done so well, they haven't," she asserted. "Look at their high-definition TV: it's been a disaster.

"Certainly we should not push people too far too fast," she said, "but my worry is that South Asia will move too slowly. Look at the wonderful rise of the private sector in Latin America, where foreign investors can get a 150% return on their money."

"Few nations in history have achieved any development using planning," Khurshid Hadi of the Privatization Commission of Pakistan chimed in.

Doubtless the many South Asians in the room, well aware how living standards in Tokyo stack up against those in Bombay or Tijuana (or London), were as bemused as I to hear of Japan's early demise.

One concludes that the Asia Society, as Carter National Security Adviser Zbigniew Brzezinski once said, "does not want any more Japans," i.e., developing nations which bring their *entire* population up to western standards to become superpowers. With an Adam Smith approach, development for the general population will never happen. Such foreign investment just targets the small percentage of people with income. "India's middle class alone," the Asia Society report notes, "has nearly 200 million people. . . . This rivals the population of the United States."

"Don't worry about us listening to them and going too fast," Shekhar Gupta, editor of *India Today*, told me. "As Prime Minister [Narasimha] Rao said recently, 'Everyone curses our bureaucracy, but only our bureaucracy prevents what happened in Russia, from happening in India.' "