

Peace by 'Infrastructure And What Goes With It'

by Gail G. Billington

Faced with U.S. threats of war in the Mideast and throughout their region, the ASEAN+3 states—the 10 Southeast Asian nations and their dialogue partners China, Japan, and South Korea—met in Phnom Penh, Cambodia Nov. 4-5. ASEAN's eighth annual summit, representing more than 1.5 billion citizens and a combined \$1.7 trillion GDP, declared for peace through economic development, and made extensive plans for cooperative projects of development of Southeast Asia, particularly the Mekong River basin. Including a fourth dialogue partner—India—this year, the extended ASEAN-plus grouping represents nearly half the world's population.

The Chairman's statement, issued at the conclusion of the summit, declares up front: "We are deeply concerned about the situation in the Middle East. With the assistance of the international community, a peaceful solution to end the worsening cycle of violence in Israel must be formulated."

This year's meeting is historic in many ways, not least that the summit was held in Cambodia, one of the poorest nations in the world, which is still recovering from one of the worst holocausts caused by the Anglo-American Utopian faction's wars of the 1960s and 1970s; at least one in five Cambodians was killed between 1968 and 1979 by U.S. bombs and by the ideologues of the Khmer Rouge.

The unprecedented level of cooperation extended by China at the summit, in addition to the launch of India's participation in these annual meetings, attests to the deep commitment of these nations, hit hard by the global economic crisis since 1997, to resume the rich history of cooperation launched at the 1955 Bandung Meeting of Asia and Africa. Today's Non-Aligned Movement chairman, South African President Thabo Mbeki, was invited to make a presentation on African development. The ASEAN summit reaffirmed its commitment to the Five Principles of Peaceful Coexistence of the Non-Aligned Movement.

A second, and equally crucial, recurring reference in the Phnom Penh meetings, is to the 1997-98 Asian economic crisis, and "the continued sluggishness of the world economy;" this referred to the certainty of continued economic crisis, and, thus, the need to devise a strategy—as Japanese Prime Minister Junichiro Koizumi said—to "act together to advance together."

Chinese Prime Minister Zhu Rongji arrived in Phnom Penh for a three-day visit on Nov. 1, where he presided over

FIGURE 1
The Mekong River Basin



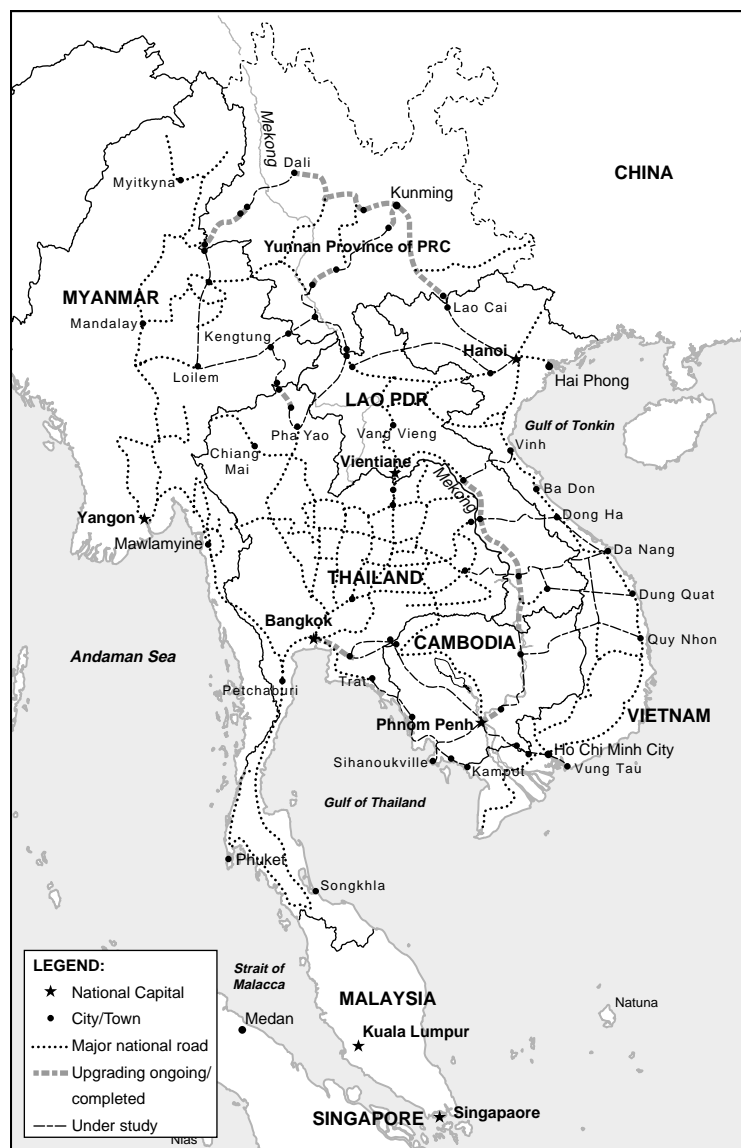
The ASEAN+3 summits in Phnom Penh focussed on an ambitious plan for development of the Greater Mekong Sub-region around the basin of the 4000 kilometer-long Mekong River. Along with new rail and road corridors, the key is a \$4.5 billion Southeast Asia-wide power grid, based on Mekong and other hydropower.

the signing of previously pledged \$12.5 million in zero-interest loans to host Cambodia, and met with Cambodia's King Sihanouk, his son and National Assembly President Prince Norodom Ranariddh, and Prime Minister Hun Sen, who chaired the combined ASEAN meetings. Prime Minister Zhu also announced that Beijing would write off \$200 million that Cambodia owes China, and eliminate tariffs on a wide range of Cambodian goods. Similar aid was extended to Laos and Myanmar, as part a contribution to ASEAN's effort to uplift the poorer nations in the Association.

Perhaps the most dramatic result of the Phnom Penh meetings was the decision to push forward with the development of the Mekong River basin, an area which represents the critical crossroad between China, Southeast Asia, and India, as well as a major hub on the Southern Route of the Eurasian Land-Bridge connecting the Pacific with Europe and Africa. The

FIGURE 2

Greater Mekong Subregion Rail Projects



Source: Asian Development Bank

The most important of the railroad corridors now being funded by China and ASEAN is the Kunming-to-Bangkok railroad originating in China and running down the coast of Indo-China and to Bangkok, then southward through Malaysia.

first-ever heads-of-state summit of the member states of the Asian Development Bank-sponsored Greater Mekong Subregion (GMS) took place on Nov. 3. Agreements were signed on Mekong regional transport, and, in a breakthrough, a \$4.5 billion Southeast Asia-wide power grid with China's help, based on Mekong and other hydropower, which is targeted for completion by 2019, and would be an historic first-ever comprehensive power grid in the region's history.

In the statement, the governments of China, Myanmar,

Thailand, Cambodia, Laos, and Vietnam declared: "Our vision is of a GMS that fulfills its vast potential, freeing people from poverty and providing sustainable development for all."

River, Rail, and Road Infrastructure

The GMS project brings together Vietnam, Laos, Cambodia, Thailand, Myanmar, and Hunan Province, China, in a program of overlapping infrastructure "transport corridors"—including road, rail, air, water, energy, telecommunications, as well as human resource development, tourism, trade facilitation, and investment. The GMS encompasses an area the size of Western Europe and home to 250 million people. In July 2002, representatives of GMS countries conducted their first week-long tour of the area, and Asian Development Bank (ADB) Director General Rajat Nag described the overall project: "We want to have the whole region connected by quality physical infrastructure and everything else that goes with it. In the next 10 years, we want to see the physical infrastructure network all in place. We will help all these countries to build an enabling environment for growth." While the estimated financing needs for the next 3 years are \$2 billion, Nag said: "These countries are extremely pragmatic. They say, let's focus on the do-able. And let's get on with it!"

China announced that it is ready to support the big Kunming-Bangkok Asian (coastal) highway project by undertaking construction of some sections of highway through co-financing. China has spent \$2.08 billion to develop its portion of the highway. China is also keen to develop river navigation with ASEAN, and could provide funding to regulate some sections of the Mekong navigation channel within the territories of Laos and Myanmar. They also expressed interest in participating in the construction of the Singapore-Kunming railway line and other transport grids in neighboring ASEAN countries, as well as enlarging air service arrangements with ASEAN member-countries on a bilateral basis.

Breakthrough Agreements

The ASEAN-China summit on Nov. 4, produced further spectacular breakthroughs in regional cooperation. A bilateral framework agreement on economic cooperation was signed, providing for an ASEAN-China free-trade area (ACFTA) to be implemented over a ten-year period. In a decade or more, ACFTA would become the largest trade agreement in the world, with a combined market of 1.7 billion people, GDP of \$2 trillion, and two-way trade of \$1.25 trillion. The agreement goes far beyond free trade issues, however, to include "economic cooperation, particularly in the areas of agriculture, information technology, human resource

development, mutual investments, and the Mekong River Basin development.” To that end, ASEAN and China signed a memorandum of understanding (MOU) on agricultural cooperation; China will provide ASEAN with training and capacity-building activities in agriculture, fisheries and aquaculture, biotechnology, farm machinery, agro-industry, livestock production, harvest technology, and food security.

ASEAN and China also reached an historic security accord on overlapping claims to several groups of islands in the South China Sea (including the Spratley Islands), by Brunei, Malaysia, the Philippines, Vietnam, and China. Vietnam and China clashed over the Spratley Islands in 1988 and 1992, and friction between the Philippines and China nearly led to military conflict several times since then. The new accord was named the “Cambodia Agreement.” ASEAN Secretary General Rodolfo Severino described the accord to *Agence France Presse*: “Pending the resolution of the jurisdictional and territorial disputes, this is how we should behave: We should not occupy uninhabited land features” in the South China Seas. ASEAN spokesman M.C. Abad emphasized that “the Cambodia Agreement is the concerned states’ important contribution to the cause of regional and global peace. [It] is a fitting tribute to a country that has gone a long way in transforming itself from a place which is almost synonymous with the Killing Fields, to a broker of an instrument of peace in the region.”

The Agreement also served the useful purpose of reviving attention to two major development projects in the region, which have received little attention since the 1997 economic crisis in Asia. These are the Brunei, Indonesia, Malaysia, Philippines East Asia Economic Growth area, surrounding the contested area of the South China Sea; and the Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation zone, which complements the Greater Mekong Sub-regional development concept, further expanding the east-west continental Asia transport corridors which are crucial to the larger Eurasian Land-Bridge concept. South Korea and Japan expressed keen interest in participating in the rail projects.

Equally importantly, the Cambodia Agreement treated “security” in a way that contributed to preventing the “war on terrorism”—as defined by the Utopian war faction in Washington—from hijacking the discussion. This was especially important in light of Australian Prime Minister John Howard’s government raids targeting Indonesians in Australia, and the widespread terror alerts which have stopped foreign direct investment, tourism, etc. Malaysian Prime Minister Dr. Mahathir bin Mohamad, backed by Indonesian President Megawati Sukarnoputri, rejected Australia’s request for consideration as an ASEAN dialogue partner with ASEAN, shelving it for another year. The focus remained on economic development and political collaboration, for the greater good of the region as a whole.

Terrorism is considered a serious issue in Southeast Asia,

but Dr. Mahathir and his colleagues insist that to defeat terrorism, one must get to the root causes—as by the broad-based economic development initiatives taken in Phnom Penh. Seven of the ASEAN member states, in fact, did commit to an anti-terror alliance and an anti-terror center to be set up in Kuala Lumpur, Malaysia. A final statement of confidence in the capacity of ASEAN to respond to the terrorist threat came in the announcement by Indonesian President Megawati that next year’s ASEAN Summit will be hosted by Indonesia—in Bali, scene of a hideous terror bombing in October.

Japan and India

Japan, which has been the leading investor in Southeast Asia, concluded a “Comprehensive Economic Partnership” with ASEAN, to expand trade and investment. Next year will be the 30th anniversary of ASEAN-Japan relations. Whether Japan will return to the policies of that earlier time, when it was committed to building developing nations as “full set” industrialized powers—before the infamous Plaza Accords with the United States—is a major question.

The concluding bilateral meeting was the first between ASEAN and India, creating a new “ASEAN+1” to complement the ASEAN+3. At this meeting, Indian Prime Minister Atal Bihari Vajpayee proposed a free trade accord between ASEAN and India, and raised the historical and cultural links that tie these nations together. India extended a \$10 million line of credit on preferential terms to host Cambodia. This was the first visit of an Indian Prime Minister to either Cambodia or Laos since that of Jawaharlal Nehru in 1954. The joint declaration issued by India and ASEAN appropriately concludes: “We noted that the histories and cultures of Southeast Asia and India are closely intertwined. The intimacy of our past brings the hope that our future is similarly linked to mutual prosperity and stability.”

During the “Asian financial crisis” of 1997-98, intra-Asian trade was gutted, and exporting nations were forced into dependency upon the U.S. “new economy” market. But as that market imploded during 2001, Asian nations began rebuilding regional trade ties, centered, this time, around China; this is what is reflected in the Phnom Penh summits. Despite the world depression, China-ASEAN trade grew 5% in 2001. In the second half of 2002, China has become the most important export market for Japan, South Korea, and Taiwan, surpassing the United States for the first time. Joint trade and investment have grown steadily, even as that with the United States has stagnated or fallen.

Financial ties are also growing, even as the U.S. dollar weakens. On Nov. 4, the official Chinese press published a report that the Chinese currency, the yuan, is “quietly” becoming accepted as a “hard currency” in the region, and in Russia. In Malaysia, Vietnam, and Singapore, the yuan is being used as a convertible currency, although, officially, exchange controls remain in place. The phenomenon is small so far, but has big implications for the future.