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## **SINO-SOUTH ASIAN RELATIONS: EVOLVING TRENDS**

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### **Abstract**

South Asia and China are in the process of a qualitative change in their relations that has generated certain degree of uncertainty and even a greater degree of dynamism in the regional developments. China is displaying a distinct unwillingness to be entangled in interstate conflicts in South Asia. Instead, it is encouraging the regional countries to concentrate their efforts on the reconstruction of their economies and societies, and move away from conflict to a course of cooperation. This has created pressure on South Asian countries to change themselves in two crucial ways. There is pressure to resolve or, at least, manage regional conflicts properly and revitalise the process of mutually beneficial co-operation. Secondly, there is also pressure on them to concentrate their efforts on the reconstruction

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of their economies so as to make them attractive to the outside world as partners for cooperation.

### **I. Introduction**

South Asia and China are in the process of a qualitative change in their relations. A sequence of developments of global significance, namely, the demise of the Soviet Union and the end of Cold War, the emergence of a unipolar world, the process of globalisation, and concomitant response of China and South Asian countries to these and related developments are fast eroding the old stereotypes that characterised Sino-South Asian relations. While Indo-Pakistan conflict remains basically unchanged, China's approach to the conflict as well as to the two conflict parties has already changed significantly and further changes are in the offing. The equation among the extra-regional great powers, the US, EU, China, Japan and Russia, with long-standing involvement in South Asia, no more conforms to the old stereotypes. Economic dimension is assuming ever-increasing importance in China's relations with South Asia. While politico-strategic and security factors still figure prominently in the calculations of concerned parties, a host of new forces and factors now dominate their politico-security calculus.

While a process of change in China's relations with South Asian countries are quite vivid, the nature and magnitude of this change is far from being crystallised. As a matter of fact, the very process of ongoing changes in Sino-South Asian relations remains complex and contradictory with its ultimate direction being far from clear. As a consequence, the recent developments in Sino-South Asian relations have raised a number of questions of regional as well as global significance and are being widely discussed by the academia, media and concerned professional circles. These questions pertain to a host of actors in regional politics, like South Asian countries, China, the

EU, the US, Japan and Russia, and involve a number of issues of significant politico-strategic as well as economic importance. In this regard, the central question revolves around the nature, magnitude and the broader significance of emerging relations between South Asia and China.

It is in this backdrop that an attempt is made below to study the evolving trends in Sino-South Asian relations. Part I of the paper presents a retrospective overview of China's relations with South Asia that is designed to fathom the current context and identify the issues for exploration. Part II deals with the changing pattern and dynamics of Sino-Indian relations. Part III evaluates implications of changing Sino-Indian relations for Pakistan and other regional countries. Part IV explores the response of extra-regional powers to the developments in Sino-South Asian relations. Finally, an attempt has been made to understand the implications of emerging Sino-South Asian relations and their prospective directions.

## II. Sino-South Asian Relations: The Current Context

South Asia and China – the two geographically contiguous Asian regions – are two of the most important centres of ancient civilisation. The contacts between the two ancient civilisations could be traced as early as 400 B.C. While the establishment of Buddhism in China and consequential religio-cultural and intellectual exchanges are regarded as the most significant aspect of these contacts, the two regions also had trade and commercial relations since the ancient time.<sup>1</sup> However, South Asia's interaction with China, from time immemorial, has been conditioned by the mighty Himalayas that erected itself as almost an insurmountable barrier between the two. As a consequence, for millennia, three main

channels of communication between South Asia and China have been through extremely difficult terrains across Central Asia, the Tarim Valley and the Pamirs. The difficulties associated with these channels of communication effectively restricted the frequency and volume of cross-border movement of people and goods between the two civilisations.

As a consequence, despite geographical contiguity, South Asia and China remained distant neighbours for millennia during the ancient and medieval periods. Even during the modern age when sea routes emerged as the main channels of communication, China-South Asia relations did not change for the better as the communication through world sea routes has been under the exclusive control of Western colonial powers that, by then, already subjugated South Asia directly and were subjugating China indirectly. Thus, South Asia and China remained, in practical terms, distant neighbours until the end of colonial era in the region.

China-South Asia relations made a qualitative shift towards closer and institutionalised interaction with the emergence of independent states in South Asia during 1947-48 and the formation of the People's Republic of China in 1949. Within a year of its founding, China established diplomatic relations with India, Pakistan and Sri Lanka, thus, a new era of ever-increasing multifarious and dynamic interaction between South Asia and China have begun. In the subsequent period, Sino-South Asian relations have gradually emerged as one of considerable regional and global importance. These relations are assuming even greater significance day by day and their potentials are literary vast, particularly in view of a process of dynamic growth that South Asia and China are undergoing and the ongoing process of globalisation that determines the nature and content of contemporary international relations.

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1. Muhammad Ramzan Ali, "China-South Asia Relation in a Changing World", *Regional Studies*, Vol. XXII, No.4, Autumn 2004, pp.77-78.

China with a population of 1.3 billion and South Asia with 1.4 billion, together constitute a population of 2.7 billion that is about 43 percent of the world's total population of 6.2 billion.<sup>2</sup> In 2002, China's Gross National Income (GNI) amounted to US\$ 1.2 trillion and that of South Asia to US\$ 640 billion. In terms of Purchasing Power Parity (PPP) these figures are US\$ 5.6 trillion and US\$ 3.4 trillion respectively. In terms of PPP, China's GNI is the second largest in the world while that of South Asia is slightly above the Japanese one –the third largest economy in the world in terms of PPP. Combined GNI of China and South Asia, in terms of PPP, is US\$ 9 trillion that is 19.14 percent of the world GNI in terms of PPP of US\$ 47 trillion.<sup>3</sup> China's GDP growth is robust and stood at 8 percent in 2001-2002. While South Asia is lagging far behind China in this regard, its GDP growth of 4.3 percent for the same year is above that of the low-income countries as well as low- and middle-income countries taken together.<sup>4</sup>

According to a projection by the Wall Street firm Goldman Sachs, China is likely to emerge as the world's largest economy by the year 2050 leaving the USA behind. The same projection predicts that, by that time, India would emerge as the world's third largest economy behind China and the United States.<sup>5</sup> Meanwhile, Goldman Sachs' projection that China and India would emerge as the world's largest and third largest economy respectively by 2050 has been adopted by the US National Intelligence Council's 2020 project

entitled "Mapping the Global Future".<sup>6</sup> While other South Asian countries were not included in the study, if the past is taken as a guide, the pattern of development in South Asian countries is likely to remain the same in the future. While there is no certainty that the projections made in the study would be materialised, this and similar projections brought two points in sharp focus: i. China and South Asia are already in the rise; and ii. For the two, there are vast development potentials to materialise. If nothing else, these factors alone are serving as powerful arguments in favour of fostering close and mutually beneficial co-operation between China and South Asia. Over the last decade or so, the two are, indeed, moving towards such a direction. However, the development of their relations is being constrained by the intra-regional conflicts in South Asia and their impact on China's relations with individual South Asian countries. Besides, policy of other great powers towards South Asia as well influences China's South Asia policy.

Over the last five-plus decades, China's relations with South Asia, particularly with a number of individual countries of the region, have been marked by up- and downturns or even u-turns. Sino-Indian relations have experienced profound upheavals over the past five decades. It started with a benign warmth in 1950 and developed into a euphoric "*Hindi-Chini bhai-bhai*" (Indo-Chinese brotherhood) and innovative *Panch Sheel* relationship by the mid-1950s only to witness a process of fast and severe deterioration during the late 1950s, which ultimately led to the Sino-Indian War of 1962. Sino-Indian relations during the 1960s and 1970s have been characterised by an environment of intense hostility to each other. Again, Sino-Indian relations witnessed a process of rapprochement in the late-1980s and readjustment in the 1990s. In the first decade of

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2 *World Development Report 2004*, The World Bank and Oxford University Press, Washington D. C., 2003, Table 1, pp.252-53.

3 Data are adapted from *ibid*.

4 *Ibid*.

5 *The Indian Express*, October 29, 2003. URL: [http://www.indianexpress.com/full\\_story.php?content\\_id=34274](http://www.indianexpress.com/full_story.php?content_id=34274) accessed May 25, 2005

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6 Rajiv Sikri, "India's Relation with its Eastern Neighbours", Address delivered at the Bangladesh Enterprise Institute, Dhaka on May 31, 2005.

the new millennia, these relations are moving towards normalisation, while an intense process of cooperation, particularly in the economic field, is flourishing.

Like almost everything else, China's relations with South Asia have been viewed by the two regional antagonists – India and Pakistan – in terms of a zero-sum game. China itself as well provided powerful impetus for this. Thus, abrupt deterioration in Sino-Indian relations during the late-1950s and 1960s had been accompanied by an equally hasty process of improvement in Sino-Pakistan relations. By the mid-1960s, a Sino-Pakistan strategic partnership with clearly spelled anti-Indian undertone took shape that played a significant role in shaping a regional balance of power during the 1960s-1980s. China has also encouraged and rendered moral and political support and economic and military assistance to a number of other South Asian countries, Bangladesh, Nepal and Sri Lanka, implicitly, in facing Indian challenge.

While Sino-Pakistan strategic partnership and China's close cooperation with Bangladesh, Nepal and Sri Lanka, including in the defence field, continued to persist even during the 1990s and beyond, the essence of these relations could no more conform to the old pattern in view of the ongoing process of improvement in Sino-Indian relations. In more concrete terms, China's relations with Pakistan and other South Asian countries could no longer be based on anti-Indian foundation. On the positive side, leaving anti-Indian content aside, there is powerful rationale for China, on the one hand, and Pakistan and other South Asian countries, on the other, to develop mutually beneficial close cooperation. However, making a departure from the past, redefining, and accordingly, reconstructing the mutual relationship are the painstaking tasks that China and South Asian countries are facing in their bilateral relationship. To what extent and how they would perform the task is an open

question, and hence, remains a subject of intense academic as well as practical interest.

Chinese policy towards South Asia and its relations with the individual countries of the region would inevitably encounter the foreign policy efforts of other extra-regional powers, particularly the US towards the region. The nature of such interactions, cooperative or competitive, and their degree would depend on the extent of convergence or divergence of the objectives of the concerned extra-regional powers regarding the region. Due to its incomparable military-strategic and economic power, global reach and involvement, the US remains the single-most important extra-regional power that exerts the utmost influence on the interaction of the regional countries among themselves as well as with the outside world. Contemporary Sino-US relations are characterised by the elements of both, conflict and cooperation, caused by simultaneous prevalence of convergence and conflict of interest. This would ensure a degree of uncertainty in Sino-US relations. While Sino-US relations are widely viewed in the US as being vital to US interests, its foreign policy community continues to debate vigorously on whether to opt for a strategy of “engagement” or “containment” in relation to China.<sup>7</sup> This will have implications for Sino-US relations in general as well as the policy of the two countries towards South Asia.

With Russia, the successor state to the former Soviet Union, losing most of its erstwhile international clout and, currently, bogged down in reconstructing its economy and polity, has already reduced its involvement in the region significantly. The same problem would also ensure that the Russian involvement in the region would remain

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7 Lloyd Richardson, “Now, Play the India Card”, *Policy Review* (Online), No. 115, October & November 2002; URL: <http://www.policyreview.org/OCT02/richardson.html> accessed May 16, 2005

modest, particularly when it comes to competition with other extra-regional powers. Nonetheless, once, Russia has been the most trusted ally of India and the two countries have a long history of close cooperation, particularly in the field of defence. While the process of Indo-Russian cooperation suffered severe difficulties in the post-Soviet era, this, over the last years, is bouncing back. The developments are indicative of the fact that Russia will maintain, at least, a modest involvement in South Asia.

Owing to a bitter memory of the past and emerging conflict of interests, particularly at the regional level, over the recent years, China and Japan are gradually drifting towards a conflictual relationship. Japan is becoming increasingly concerned at the rise of China, suspicious about its regional ambitions and wary about its possible assertiveness vis-à-vis Japan.<sup>8</sup> China as well displayed its opposition to Japan's efforts at upgrading its international stature through acquiring a permanent seat in the UN Security Council. There are predictions of rivalry between the two Asian powers at the regional level and beyond. The emerging nature of Sino-Japanese relations is likely to have considerable impact on attempts by either side to expand or intensify the process of its cooperation with South Asia.

Thus, a host of extra-regional great powers, the US, China, Russia and Japan, have substantial interest and involvement in South Asia. While manoeuvring in pursuit of their own interest in South Asia, each of these powers would try to influence the others in a way that would suit its own design concerning the region. Viewing from this perspective, the development of Sino-South Asian relations would be significantly influenced by other extra-regional great powers with stakes and involvement in the region. As indicated

earlier, the role of the US, in this regard, would be of paramount importance.

What follows is an attempt to explore Sino-South Asian relations with a focus on three major issues identified above, namely, the dynamics of Sino-Indian relations, their implications for the regional countries and the response of extra-regional powers, organised in three consecutive chapters.

### **III. The Developments in Sino-Indian Relations: Underlying Reasons, Nature and Dynamics**

The ongoing process of developments in Sino-Indian relations is complex, if not contradictory. In the process of normalisation of relations, the two countries are developing understanding, or even consensus, on a wide range of issues of regional as well global importance and, thus, they are adjusting and accommodating their conflicting interests and policies. On the other hand, the border dispute, at least formally, the central issue of conflict, remains unresolved. Meanwhile, cooperation in a wide range of areas is developing in a quite rapid pace. In certain areas, like economic cooperation, it is gaining momentum. To understand the complexity of the relationship, it is necessary to shed light on the underlying reasons, nature and dynamics of the process of improvement in Sino-Indian relations.

#### *3.1. Underlying Reasons*

As discussed earlier, India and China are on the rise and their development potentials are literally vast. In this regard, an authoritative study by the RAND Corporation suggests that China's economic growth and wealth have decreased the incentives for it to engage in conflict with its neighbours, increasing its initiatives to make peace with India. Similarly, India's liberalisation and growth

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<sup>8</sup> J. Mohan Malik, "Japan wary of assertive China", *Jane's Intelligence Review*, (December 1, 2000.)

has led its leaders to accept the same conclusion.<sup>9</sup> Being in the rise and faced with vast development potentials to materialise, both need a friendly neighbourhood as conflict and tensions with the neighbours would pose a large economic hurdle for them impeding foreign investment and absorbing critical resources. Moreover, both countries face the threat of growing income disparity, ethnic unrest, and separatism. Both are focused on modernising and developing their economies to integrate more closely with the rest of the world.<sup>10</sup> Viewing from this perspective, for rapprochement and normalisation of bilateral relations, both the countries have compelling reasons.

Security considerations, on the part of both sides, played an important role. In this regard, China's sense of being gradually encircled by hostile powers played a significant role. Prior to 9/11, there were growing concerns that the new and growing ties between Washington and New Delhi could have negative security implications for China, especially the apparent attempt by Washington to enlist New Delhi as a potential counterweight against China. Within this context, the growing security ties, including US military sales to India, joint military exercises, regular high-level visits, and defence consultations between the two have been of particular concern to China. The post-September 11 focus on combating global terrorism, great power cooperation and a renewed engagement of Pakistan has, to an extent, reduced Beijing's worries, though, the fear about an Indo-US *entente* against China did not disappear altogether.

Soon, however, war on terrorism led to unprecedented expansion of US military-strategic presence in Central, South, and Southeast Asia, thereby severely constricting the strategic latitude that China has enjoyed, thus, tilting the regional balance of power decisively in Washington's favour within a short period.<sup>11</sup> Ultimately, China came to express its concern over the ever-expanding US military power and presence in the Southern Asia and its vicinity. A Chinese scholar has succinctly articulated the approach as follows, "...with the end of the war in Afghanistan, the United States changed its tune of anti-terrorist campaign, thus adding an air of strong unilateralism and hegemonism to the campaign".<sup>12</sup> China also warned the United States against using the war on terrorism "to practice hegemony".<sup>13</sup>

In this backdrop, China, once again, became suspicious about the growing cooperation, particularly defence ties, between India and the US. Such suspicions further increased as some influential Indian strategic thinkers came to view the emerging Indo-US quasi-alliance as an instrument of "payback" to China for Beijing's doing everything over the last decades to undermine Indian security.<sup>14</sup> Such line of thinking in India put China on sharp alert, particularly in view of advocacy by influential circles in the US to play India card against China.<sup>15</sup> As assessed by the *Peoples' Daily*, "The top level in the US understands that India fully deserves the title of number one power in the Indian Ocean region, whether in terms of size of territory,

9 Rollie Lal, "China's Economic and Political Impact on South Asia", Testimony presented to the Commission on U.S.-China Economic and Security Review on December 4, 2003, (the RAND Corporation, 2003); URL: <http://www.rand.org/publications/CT/CT214/CT214.pdf> accessed May 16, 2005

10 *Ibid*

11 See, Nan Li, "11 September and China: Opportunities, Challenges and War Fighting", *Working Paper*, (No. 32, Institute of Defense and Strategic Studies, September 2002); URL: <http://www.911investigations.net/IMG/pdf/doc-1397.pdf#search='opportunities%20Nan%20Li'> accessed May 16, 2005

12 Xing Guangcheng, "Ponder over the Changes in Sino-Russian-US Ties", *Contemporary International Relations*, (Vol.13, No.6, June 2003), p.10.

13 Mohan Malik, "The China Factor in the India-Pakistan Conflict", *Parameters*, (Spring 2003), pp. 35-50.

14 G. Parthasarthy, "Tomorrow's Security — Missile Defence," *Pioneer*, (May 10, 2001), p. 8.

15 See, Lloyd Richardson, *op. cit.*

population resources, science and technology capability and military and economic strength and also has a far from negligible influence in the international arena. In the long term, the rise of India is a matter of time. For the United States, therefore, playing the 'Indian card' will bring it marked repayment in various fields such as political, security, economic, and science and technology".<sup>16</sup> Prospects for an Indo-US *entente* against China bothered China also in view of the fact that Washington and New Delhi share normative values (democracy) and strategic interests, while Beijing's ties with both are driven more by contingent rather than structural interests.

Not only the US, over the recent years, Japan as well was viewing China as a threat to its security and making overtures to India for security cooperation. Japan's 2000 Defence White Paper, for the first time, described China as a threat to the security of Japan. Further, in early May 2002, Prime Minister Koizumi called for a broadening of Japan's security cooperation with India.<sup>17</sup> Meanwhile, New Delhi was pursuing a 'Look East' policy aimed at developing greater economic and military ties with the countries of East and Southeast Asia, most of which have ongoing disputes with China. In this backdrop, Japanese attempt to developed security cooperation with India, presumably on anti-Chinese basis, put China on sharp alert.

Thus, security considerations played a significant role in Chinese decision to make overtures to India with a view to normalising relations between the two countries and move towards closer cooperation. The importance of India in the eyes of China arose from its desire to checkmate what it perceives as the US designs against it.

As seen from Beijing, a closer relationship with India is beneficial to China in that it precludes the US from being able to co-opt India into a containment strategy, whereas the existence of tensions between China and India would provide an ideal opportunity for both the US and India to work together in containment, worse, the group could be enlarged with the inclusion of Japan. By calming India's concerns over Chinese policies and by providing incentives for India to reciprocate its overtures, China wants to forestall the possibility of a Sino-US *entente* against Beijing.<sup>18</sup>

On the part of India, it used to view and, perhaps, still continues to view China as a major threat to its security. This view was induced in Indian psyche, down to the popular level, by the humiliating defeat suffered in the 1962 War and subsequent developments.<sup>19</sup> Sino-Pakistan strategic partnership and unequivocal Chinese support to Pakistan during all the Indo-Pakistan wars made India to view China also as a permanent threat to its security. While justifying its nuclear tests, India even did not mention Pakistan. Instead, Indian leaders, including Prime Minister A. B. Vajpayee and Defence Minister, George Fernandez, referred to threats to its security emanating from China as the justification for its nuclear tests.<sup>20</sup>

16 *People's Daily*, May 21, 2001.

17 Mohan Malik, "The China Factor in the India-Pakistan Conflict", *Parameters*, (Spring 2003), pp. 35-50.  
URL: <http://carlisle-www.army.mil/usawc/Parameters/03spring/malik.htm>  
accessed May 16, 2005

18 See, B. Raman, "The India-China-Pakistan-US Quadrangle", *South Asia Analysis Group* (SAAG), (Paper No.1334), URL: <http://www.saag.org/papers14/paper1334.html> accessed May 16, 2005; and Rollie Lal, *op.cit.*

19 Anupam Srivastava, "South Asia in the Russian Strategic Calculus: Emerging Challenges and Prospects", [Published in *Russia's National Security: Perceptions, Policies and Prospects*, Proceedings of the Second Conference of the U.S. Department of the Army War College, Carlisle, PA, November 2001. URL: [http://www.arches.uga.edu/~asr2/Readings/aspaper\\_sasia\\_in\\_russian\\_str\\_calc.htm](http://www.arches.uga.edu/~asr2/Readings/aspaper_sasia_in_russian_str_calc.htm) accessed June 2, 2005

20 Mohan Malik, *op. cit.*, pp. 35-50.

Over the recent years, India has been increasingly being concerned that the growing power and strategic reach of China would have significant importance directly affecting its security, diplomacy, economy and politics.<sup>21</sup> Indians were, for quite some time, unsure about whether and how far it would affect India adversely, and, more importantly, how to deal with the emerging Chinese power. Ultimately, while a broad consensus on the China policy emerged within the strategic and foreign policy community, differences continue to persist on the relative weight between cooperation and deterrence in dealing with the challenges posed by China. There was, however, broad consensus that both India and China face huge domestic tasks related to modernisation and national consolidation as well as external problems in which other countries are of greater concern. As seen from New Delhi, these conditions created the grounds for confidence building, cooperation, and reconciliation between the two countries to facilitate these possibilities.<sup>22</sup> Thus, a consensus developed within India in favour of structural engagement with China.

India, like any modern state, views the world, international politics in particular, through realist paradigm. As seen thus, primary function of a nation state is to survive and enhance its power in an anarchical and conflictual international system. Both conflict and cooperation with other states are directed at achieving power and influence in international arena. As viewed from this perspective, cooperation with China became indispensable for a number of reasons. In this regard, a significant objective is to secure a permanent seat in

the proposed expansion of the UN Security Council. To achieve this objective, Chinese support is indispensable.

Another important point, both, Beijing and New Delhi, are critical of US unilateralism and seek to promote a multipolar world where they can play a more important role in global affairs. They have converging interests in developing an equitable international political order with the paramount role for the United Nations. They are seeking to improve the current international economic system. As developing countries, both are interested in gradually integrating their economies into the global trading system in ways that would provide the necessary protection and transition time for their industries to adjust.<sup>23</sup> Thus, a host of common interests of India and China vis-à-vis the US and other developed countries concerning the emerging international economic order demanded close cooperation between the two countries on these and related issues.

China is the second largest consumer of oil after the United States, depending on imports for two-thirds of its total consumption. India, currently, the sixth largest oil importer in the world, is likely to occupy the fourth place by 2010.<sup>24</sup> On energy security issues, the two could compete as well as cooperate. However, as the world oil market is getting increasingly volatile due to scarcity of oil and consequential price hikes, competition could further decrease the manoeuvrability of both the countries in the world oil market. In more concrete terms, uncoordinated competition from the world's two most energy-thirsty countries could drive up prices and rivalry in yet another field. In the circumstances, India and China have compelling reasons to cooperate on energy security issues.

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21 Sujit Dutta, "China's Emerging Power and Military Role: Implications for South Asia", in Jonathan D. Pollack and Richard H. Yang (eds.), *China's Shadow: Regional Perspectives on Chinese Foreign Policy and Military Development*, (RAND Corporation, 1998); URL: <http://www.rand.org/publications/CF/CF137/CF137.chap5.pdf> accessed May 16, 2005

22 *Ibid*

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23 Jing-dong Yuan, "Promises and Problems", *Asia Times*, (April 9, 2005); URL: [http://www.atimes.com/atimes/South\\_Asia/GD09Df05.html](http://www.atimes.com/atimes/South_Asia/GD09Df05.html) accessed May 16, 2005

24 *Ibid*.

India and China are emerging as the two IT great powers with complementarities of their industries – India dominating the software sector and China dominating the hardware sector. Prevailing natural complementarities in IT sector – an asset of significant value – could turn into costly and painful liabilities if appropriate measures designed to promote and expand greater contacts, and manage competition for markets, investment and technology imports are not initiated.

As evident, a wide variety of factors of economic, geo-strategic and politico-diplomatic nature have caused the ongoing process of Sino-Indian *rapprochement* and normalisation of relations. There is, however, a host of factors rooted to the historical past as well as current dynamics of Sino-Indian relations that would hinder or may even thwart the process of normalisation and improvement of relations. The nature and dynamics of Sino-Indian relations would depend on whether and how far either of these two opposite sets of factors have decisive influence on the process of policymaking on the issue in Beijing and New Delhi.

### 3.2. *Nature and Dynamics*

The new phase of relationship in Sino-Indian relationship began to take shape in the late-1980s. In this regard, the visit by Prime Minister Rajiv Gandhi to Beijing in December 1988 was the most significant milestone. The visit ended the three-decade-long impasse and set a tone for positive “atmospheric changes” in the bilateral relationship. During the visit, the two sides agreed to break the stalemate on the boundary dispute and maintain peace and stability along the Line of Actual Control (LAC). Thus, an agreement was signed to set up a Joint Working Group to defuse tension along the

border.<sup>25</sup> The leaders of India and China could clearly realise that the settlement of the border dispute would require employing inexhaustible efforts and display enormous patience for a long time to come. Thus, pending the solution of the border dispute, they decided to initiate a meaningful process of mutually beneficial cooperation in other areas of significant concern.

The process of political interaction at the top leadership level accelerated throughout the 1990s. Amidst these, China and India have apparently developed a two-pronged strategy of managing their mutual relationship. The strategy is rather simple, while reflecting the complexity of the relationship between the two countries. First aspect of this strategy is conflict management and confidence building very cautiously applied. Thus, while making calculated moves towards settling the border dispute and removing the deep-rooted mistrust and suspicion between the two countries, Beijing and New Delhi have accepted these as long-standing phenomena. They are ready to leave with the border dispute until a solution is reached. Mistrust and suspicion can persist even longer. Central to this strategy is not to let the border dispute and mutual mistrust and suspicion obstruct the process of co-operation in the areas of mutual interest.

The second aspect of this strategy that follows from the first one is the accelerated development of cooperation in a wide range of areas, particularly in trade, scientific and technological cooperation and so on. This strategy took shape gradually over a period of time

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25 B.M. Jain, “India-China Relations: Issues, Trends and Emerging Scenarios”, *China-India Project Occasional Paper*, No. 1, Centre of Asian Studies, The University of Hong Kong, 2003.  
URL:[http://scholar.google.com/scholar?hl=en&lr=&q=cache:Hy1v7gzyqSoJ:www.hku.hk/cas/pub/Occasional1\\_bmjain.pdf+%22INDIA-CHINA+RELATIONS:+ISSUES,+TRENDS+AND+EMERGING+SCENARIOS%22](http://scholar.google.com/scholar?hl=en&lr=&q=cache:Hy1v7gzyqSoJ:www.hku.hk/cas/pub/Occasional1_bmjain.pdf+%22INDIA-CHINA+RELATIONS:+ISSUES,+TRENDS+AND+EMERGING+SCENARIOS%22) accessed May 16, 2005

and, finally, has been approved by the leadership of the two countries at the highest level. Thus, during his visit to India in December 1991, Premier Li Peng and his Indian counterpart, P.V. Narasimha Rao, while signing a Trade Protocol designed to boost bilateral trade, agreed that the border issue should not obstruct cooperation in other areas of mutual interest. In conformity with the same strategy, in September 1993, Prime Minister Narasimha Rao's official visit to Beijing culminated into the signing of an agreement on the line of actual control (LAC) for the maintenance of peace and tranquillity along the border. President Jiang Zemin's visit to India in November 1996 and the agreement signed between the two countries are considered to be a milestone development.<sup>26</sup> These as well were designed to uphold the same strategy with two fundamental objectives: effective conflict management and the development of mutually beneficial cooperation.

Sino-Indian relations developed smoothly since the late-1980s barring a temporary setback suffered following the nuclear tests by India in May 1998. China's initial reaction to the tests was mild. However, following Indian attempt to justify tests by pinpointing China as a "potential threat" to Indian security, China's response became sharp. China brushed aside the Indian accusation as "utterly groundless". In addition, China dubbed Pakistani tests as "reactive" to India's "hegemonic designs". India interpreted it as a pro-Pakistani stance. However, the setback proved to be temporary. Soon, India could clearly comprehend its diplomatic blunder and both the countries could understand the need to move ahead leaving the meaningless bickering over nuclear test aside. With Indian Foreign Minister Jaswant Singh's visit to China in June 1999 and his

assurance to Chinese leaders that India perceived no threat from China, the matter was largely settled.<sup>27</sup>

Improvement in the bilateral relationship continued with Indian President K R Narayanan's visit to China in May 2000 to mark the 50<sup>th</sup> anniversary of the establishment of Sino-Indian diplomatic relations. Chinese parliamentary head Li Peng and Premier Zhu Rongji visited India in January 2001 and 2002, respectively, further consolidating the bilateral relationship.<sup>28</sup> Finally, Indian Prime Minister A. B. Vajpayee's visit to China in June 2003 was marked by significant progress in a number of important areas of mutual concern. The two countries issued a joint declaration on principles for relations and comprehensive cooperation and vowed not to view each other as a security threat. They reaffirmed their determination to resolve their disputes through peaceful means.<sup>29</sup>

The latest in the milestones of Sino-Indian relations has been the visit by the Chinese Prime Minister Wen Jiabao to India in April 2005. Twelve agreements and memoranda of understanding (MoU) have been signed between the two countries that dealt with a whole gamut of issues.<sup>30</sup> One of the most remarkable developments has been the signing of an agreement between India and China for a "strategic partnership for peace and prosperity".<sup>31</sup> All these

27 For details, see, John W. Garver, "The Restoration of Sino-Indian Comity Following India's Nuclear Tests", *The China Quarterly*, (December 2001), p.686; and Mark W. Frazier, "China-India Relations Since Pokhran II: Assessing Sources of Conflict and Cooperation", *Access Asia Review*, (Vol.3, No.2, July 2000);

28 Jing-dong Yuan, *op. cit.*

29 *Ibid.*

30 See, Raviprasad Narayanan, "Jiabao's Visit: Economic Interest Overshadow Political Differences", *Asian Affairs*, (April 2005), pp.19-20.

31 Amelia Gentleman, "India and China seal 'strategic partnership'" in *International Herald Tribune*, URL: <http://www.iht.com/articles/2005/04/11/news/wen.html> accessed May 28, 2005

agreements and memoranda addressed to the twin concern of managing conflicts, border dispute in particular, and decisively move towards mutually beneficial cooperation, economic cooperation in particular.<sup>32</sup>

In the light of the above, to make an assessment of the achievements and future prospects of Sino-Indian efforts in developing mutual relationship, it is an imperative to focus the discussions on two most crucial issues, namely, the management of conflicts, border dispute in particular, and the mutually beneficial cooperation, economic cooperation in particular.

Border dispute between the two countries consists of two areas. One is, unpopulated Aksai Chin of approximately 35,000 square kilometres that is claimed and occupied by China in 1962. India claims Aksai Chin, currently under the effective control of China, as part of the territory in Ladaakh, Kashmir. Another piece of land is about 90,000 square kilometres in what is now the Indian state of Arunachal Pradesh. Two special representatives, one appointed by China and the other by India, now, oversee the political framework of border negotiations. So far, four rounds of meetings have already been held and the change of government in India has not affected the process.<sup>33</sup> Outcomes are inconclusive. As stated in the “Agreement on Political Parameters and Guiding Principles for the Settlement of the India-China Boundary Question” signed during the Chinese Prime Minister Wen Jiabao’s visit to India in April 2005, the objective of the two sides is to devise a ‘mutually acceptable’ ‘package settlement’ covering “all sectors of the India-China border”.<sup>34</sup>

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32 See, Raviprasad Narayanan, “Jiabao’s Visit: Economic Interest Overshadow Political Differences”, *Asian Affairs*, (April 2005), pp.19-20.

33 Jing-dong Yuan, *op. cit*

34 See, Raviprasad Narayanan, *op. cit*.

China and India, over the years, were indicating that they were making gradual progress in resolving the border dispute. However, formally, both refrain from indicating the concrete nature of settlement that they are moving towards. However, as a number of media reports and scholarly writings suggest, in due course of time, the two countries would accept the prevailing *status quo* and make it *de jure*. In that case, India will accept the Chinese sovereignty over the Aksai Chin and China will accept the Indian sovereignty over the Arunachal Pradesh.<sup>35</sup>

Meanwhile, the two countries have been able to resolve a thorny issue. India has already accepted Tibetan Autonomous Region as part of the territory of China. China, on the other hand, has extended *de facto* recognition of Sikkim being a state of India. The fact that official Chinese maps are showing Sikkim as part of India suggests that Beijing considers the issue closed. New Delhi as well hopes that the *de jure* recognition will not be long in forthcoming.<sup>36</sup>

Apparently, China and India are also leaving political rivalry in the international arena behind. Once an unthinkable development, Chinese support for India’s bid for a permanent seat in the proposed expansion of the UN Security Council seems to be ensured. Initially hesitant and non-committal, China was, for some times, indicating that it could extend its support to India.<sup>37</sup> Now, there are confirmed reports that Wen Jiabao, during his visit to India, informed his Indian counterpart, Manmohan Singh, that China would be happy to see India as a permanent member of the UN Security Council.<sup>38</sup>

Some spectacular developments are also taking place in Sino-Indian economic relations, particularly in trade. From a paltry sum of

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35 *Ibid.*; and B. Raman, *op. cit*.

36 Jing-dong Yuan, *op. cit*.

37 *Ibid.*

38 B. Raman, *op. cit*.

US\$300 million per year a decade ago,<sup>39</sup> the trade volume increased to US\$3 billion in 2000.<sup>40</sup> In 2004, bilateral trade registered a historic peak of US\$13 billion representing an increase of 79 percent over the trade volume of 2003. To the surprise of India that has been apprehensive that Chinese goods would flood Indian market, India has a surplus of US\$1.78 billion. Meanwhile, the two countries are working to achieve the trade target that is set at US\$20 billion or higher by 2008.<sup>41</sup> It is estimated that if current trends continue, China may turn to be India's largest trading partner soon. The Sino-Indian trade volume is expected to reach US\$25 to US\$30 billion by the end of the decade.<sup>42</sup> Encouraged by the development of trade relations, the two countries are considering new proposals emanating from China for working towards the ultimate objective of a Free Trade Area (FTA) and for making them the twin towers of the global IT power – China in hardware and India in software.<sup>43</sup> Thus, India and China are moving away from the sterile geo-politics of the past to a new zone of geo-economics.

As indicated, from the very onset of the ongoing process of the improvement of relations, both the countries acted on the basis of the understanding that economic cooperation is the key to the future, and closer diplomatic and security relations must follow. The strategy seems to be working. As some authoritative Western sources suggest Sino-Indian growing economic and trade ties have had considerable influence on improving their security relationship.<sup>44</sup> Indian academia

and media also have the same view. Thus, Sino-Indian economic engagement is being referred to as the “most reliable confidence building measure (CBM) in China-India relations”.<sup>45</sup>

How to assess the status of overall Sino-Indian relations? Sino-Indian relations are witnessing a process of steady improvement. These relations are, currently, enjoying a significant degree of stability. The process of mutually beneficial cooperation is broadening to embrace ever increasing spheres and deepening in a number of areas, economic cooperation in particular. In this regard, trade relations are witnessing the most dynamic growth.

However, as indicated earlier, the two countries do not share common normative values or long-standing strategic interests. The current drive is motivated by ‘realism’ and ‘pragmatism’. Mutual suspicions still remain strong. Old conflicts are yet to be resolved and without a satisfactory resolution of the territorial dispute, there cannot be a “full and complete” normalisation of bilateral relations.<sup>46</sup> The escalating process cooperation is certain to generate consequential conflicts of multifarious nature. Thus, a host of complex issues of regional and global importance would continue to influence the relationship between the two countries. In the ultimate analyses, Sino-Indian relations would continue to be guided by the two parties’ perception of core national interests ranging from security and strategic concerns to trade and investment complexes.

#### **IV. The Developments in Sino-Indian Relations: Implications for the Regional Countries**

Contemporary India conceives of her neighbouring countries as lying within the Indian defence perimeter and being integral to the

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39 Rollie Lal, *op. cit.*

40 Alka Acharya, “India-China Relations: Beyond the Bilateral”, *Economic and Political Weekly*, April 2, 2005, pp.1423-24.

41 *Hills and Mountains Today*, Vol.1, Issue 1, September-October 2005, p.7.

42 *Ibid.*; and *Peoples Daily*, April 13, 2005, URL: [http://english1.peopledaily.com.cn/200504/12/eng20050412\\_180663.html](http://english1.peopledaily.com.cn/200504/12/eng20050412_180663.html) accessed June 8, 2005

43 See, Raviprasad Narayanan, *op. cit.*; and B. Raman, *op. cit.*

44 Rollie Lal, *op. cit.*

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45 Swaran Singh, China-India Economic Engagement: Building mutual Confidence, (CSH Occasional Paper No.10), Centre for Social Science, New Delhi, 2005, p.22.

46 Jing-dong Yuan, *op. cit.*

security interests of India. On the other hand, India's neighbours themselves regard India itself as the source of their own insecurity against whom it is necessary to organise their own security interests, sometimes even on an extra-regional basis. Such perceptions in the backdrop of disproportionately greater physical endowment of India coupled with New Delhi's occasional attempts to transform its natural pre-eminence into imposed predominance serve as a constant source of apprehension, distrust and fear of smaller South Asian countries in relation to India. This remains the most important factor that motivated some South Asian countries to explore extra-regional security linkages whenever they found it to be expedient. In the circumstances, during the entire post-colonial period, two diametrically opposite perceptions dominated South Asia's security thinking as well as practical policy of the regional states.

Most of the smaller South Asian countries, either directly or indirectly, welcomed extra-regional great power involvement in the region with a view to counterbalancing otherwise unchallenged might of India. During the Cold War era, China and the US have been readily available. On the other hand, India's policy was designed to keep the great powers – friends and adversaries alike – out of intra-regional affairs, so that it could exert its power and influence to bear upon the countries of the region. Even when developing closer cooperation with the former Soviet Union with a view to counterbalancing the Pak-US-China axis, India employed persistent efforts with a view to keeping all these extra-regional powers (including the Soviet Union) out of the region, though with a mixed success.<sup>47</sup>

What is relevant to the context of our study is the fact that since the outbreak Sino-Indian conflict, particularly since the Sino-Indian War of

1962, China has been a crucial extra-regional power influencing the regional balance of power in South Asia. In this regard, spectacular growth of Sino-Pakistan cooperation that embraced almost every possible aspects of bilateral relationship – politico-diplomatic, defence, including nuclear field, economic, technical and so on – has been a crucial factor. The perceived stability of the relationship led the parties proudly call it “time-tested” and “all-weather” friendship.<sup>48</sup> Other three regional countries, namely, Bangladesh, Nepal and Sri Lanka, as well developed mutually beneficial cooperation with China that was designed to increase their manoeuvrability vis-à-vis their giant neighbour, India.<sup>49</sup> Bhutan and the Maldives that accepted India's predominant role in the region and cautiously avoided developing any kind of relationship with China that could be interpreted by India as being directed towards New Delhi.

It is in this backdrop that a discussion would follow on the implications of the recent developments in Sino-Indian relations for the regional countries. In this regard, the origin, nature, magnitude and the dynamics of Pakistan's conflict with India and the same of its friendship and co-operation with China substantially overweigh those of other regional countries. Therefore, the implications of Sino-Indian relations would be of more crucial significance for Pakistan than for any other regional countries. Hence, Pakistan would figure more prominent in the discussions that follow.

For China, the effective management of the delicate Sino-India-Pakistan triangle is a *sine qua non* for stable Sino-South Asian relationship. Similarly, China's relations with other South Asian countries as well are of considerable importance in China's broader

47 See, A. K. M. Abdus Sabur, "South Asian Security in the Post-Cold War Era: Issues and Outlook", in *Contemporary South Asia*, Vol.3, No.2, 1994; and "Management of Intra-group Conflicts in SAARC: The Relevance of ASEAN Experiences", *South Asian Survey*, Vol. 10, No. 1, January-June 2003.

48 A detailed discussion on Sino-Pakistan relations are done in, Maqsoodul Hassan Nuri, "China and South Asia in the 21st Century", *Regional Studies*, Vol.XVII, No.4, Autumn 1999, pp.3-29.

49 Rashid Ahmed Khan, "China's Policy towards South Asia: A comparative perspective", *Regional Studies*, Vol.V, No.1, Winter 1986/87, pp.3-29.

South Asia policy. In the circumstances, the challenge faced by China in its relationship with South Asian countries has been one of striking a delicate balance between its emerging relationship with India, on the one hand, and its already established and stable relationship with other South Asian countries, Pakistan in particular, on the other. As a Chinese scholar emphasised, the objective should be to “develop constructive relations with India while improving traditional friendly relations with Pakistan”.<sup>50</sup> Thus, the central concern of China, in this regard, is to sustain and further develop its long-standing cooperative relationship with the rest of South Asia, Pakistan in particular, while improving relations and developing co-operation with India.

Faced with such a challenge, from the very beginning of the improvement of its relations with India, China has displayed a clear determination not to sacrifice its “time-tested” and “all-weather” friendship with Pakistan in the hope of the gains of uncertain magnitude in its relations with India. At the same time, China could also clearly realise that anti-Indian rhetoric and substance of its relationship with Pakistan needed to be changed substantially, particularly in conformity with the growing magnitude of Sino-Indian relationship.

In more concrete terms, China came to project a more even-handed, balanced and moderate approach to Indo-Pakistan conflict. First to disappear was anti-Indian rhetoric from joint Sino-Pakistan deliberations. Gradually, however, China had to move towards substantive issues as the developments in Sino-Indian relations were gaining pace. China, rather quietly, moved away from its backing for Pakistan's position on Kashmir. Previous calls for the Kashmiri

peoples’ right to self-determination has been replaced by a new position that supports a bilateral and peaceful settlement of the Kashmir dispute.<sup>51</sup> The first major test to this policy came during the 1999 Kargil crisis.<sup>52</sup> At the height of the crisis, Pakistan approached China for support while India was making efforts at neutralising possible Chinese support to Pakistan. With their respective ends in view, Pakistani Prime Minister Nawaz Sharif and Foreign Minister Sartaj Aziz, on the one hand, and Indian Foreign Minister Jaswant Singh, on the other, visited China during the height of Kargil crisis.

These put China in a dilemma. However, a clear response on the part of international community regarding Kargil crisis helped China to crystallise its position. Virtually all who matter in international politics – the US, European Union and Russia – either privately or publicly, blamed Pakistan for creating the mess.<sup>53</sup> China decided to distance itself from Pakistan. Nawaz Sharif, who went to Beijing in a six-day visit on June 28 with great expectations, had to come back empty-handed on June 29. The Chinese leaders urged both the sides to settle the Kashmir dispute and as Premier Zhu Rongji told Sharif, it can “only be resolved by peaceful means”.<sup>54</sup> China's apparent neutrality in the dispute gained much appreciation from India while raising serious questions in Pakistani mind regarding the utility of Sino-Pakistan strategic partnership vis-à-vis any possible Indo-Pakistan conflict.<sup>55</sup>

The Chinese policy approach, however, in no way, was an indication of the end of Sino-Pakistan strategic partnership. China

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50 Zhang Guihong, “US Security Policy towards South Asia after September 11 and its Implications for China: A Chinese Perspective”, URL: <http://www.idsa-india.org/SAARCHIVES/SA200302/APR-JUN01.htm> accessed June 8, 2005

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51 For Chinese position on Kashmir, see, *Ibid.*

52 For details on the Kargil Crisis, see, A. K. M. Abdus Sabur, “Indo-Pakistan Security Relationship and the Kargil Crisis”, in *BIISS Journal*, Vol.20, No.3, July 1999.

53 *Far Eastern Economic Review*, (June 17, 1999), p.26.

54 *Asiaweek*, July 9, 1999, p.17.

55 See, B. Raman, *op. cit.*; and Jing-dong Yuan, *op. cit.*

just wanted to balance its strong historical relationship with Pakistan and its emerging relationship with India. While Beijing was determined not to be entangled in the Kargil mess, it was also equally determined not to let Pakistan suffer from abandonment psychosis vis-à-vis Chinese commitment to Islamabad.

Meanwhile, soon tensions between India and Pakistan heightened severely threatening to reach a crisis level following the terrorist attacks at the Kashmir Assembly in October 2001 and the Indian Parliament on 13 December 2001. Pakistan, on its part, distanced itself from the responsibility for the attacks and displayed willingness to defuse the consequential tensions in Indo-Pakistan relations. Similarly, Pakistan approached the extra-regional powers, the US and China in particular, with a view to seeking their assistance in defusing the tensions in Indo-Pakistan relations. This provided China with an opportunity to boost Pakistani confidence in Sino-Pakistan alliance.

President General Pervez Musharraf made three trips to Beijing in less than a year (in December 2001, January 2002, and August 2002) for urgent security consultations with President Jiang Zemin and Premier Zhu Rongji. According to reports, he received clear advice and “firm assurances of support in the event of a war” with India. The Chinese leaders had conveyed the following message to Musharraf: “China hopes Pakistan will not initiate any assault. Pakistan should not get involved in wars and instead focus on economic construction. However, if a war does break out between India and Pakistan, Beijing will firmly stand on the side of Islamabad.”<sup>56</sup> This and similar gestures indicate that reducing Pakistan's sense of vulnerability vis-à-vis India generated by the

56 Mohan Malik, “The China Factor in the India-Pakistan Conflict”, *Parameters*, (Spring 2003), pp. 35-50.  
URL: <http://carlisle-www.army.mil/usawc/Parameters/03spring/malik.htm> accessed May 16, 2005

development of Sino-Indian relations is a conscious policy approach adopted by China. The Treaty of Friendship concluded by China and Pakistan during Wen Jiabao's visit to Pakistan in April 2005 could also be seen in this context.

Amidst upheaval in Sino-India-Pakistan triangular relationship, the most vital, as seen by both India and Pakistan, area of Sino-Pakistan co-operation, the defence co-operation, continues to flourish. India has been and still remains quite sensitive to Sino-Pakistan cooperation or rather former's assistance to the later in the field of nuclear and missile technology as New Delhi considers China as being the crucial factor behind Pakistan's military might.<sup>57</sup> For New Delhi, Beijing's military alliance with Islamabad remains a sore point and likely to remain the same.<sup>58</sup> Indians continue to express dissatisfaction regarding Chinese policy of “bolstering Pakistan's military capabilities by transferring conventional and non-conventional weapons that include nuclear and missile weapon systems. India-China relations have thus continued to be affected by China's military co-operation with Pakistan”.<sup>59</sup> Some in India even see China's attempts to improve ties with India and efforts to bolster the Pakistani military's nuclear and conventional capabilities vis-à-vis India as being parallel efforts.<sup>60</sup>

Some outside analysts even see a long-standing Chinese objective behind Sino-Pakistan military cooperation, as “China may want to maintain close ties with Pakistan as a hedge against being

57 R. Devraj, “China Behind Pakistan's Missile Tests, Says India,” *Pakistan Today*, 11 October 2002, p. 1.

58 Mohan Malik, “The China Factor in the India-Pakistan Conflict”, *Parameters*, (Spring 2003), pp. 35-50.

URL: <http://carlisle-www.army.mil/usawc/Parameters/03spring/malik.htm> accessed May 16, 2005

59 B.M. Jain, *op. cit.*

60 For details, see J. Mohan Malik, “South Asia in China's Foreign Relations,” *Pacifica Review*, No. 13, February 2001, pp.73-90.

surrounded by a hostile US, Japan, and India in an unknown future.<sup>61</sup> Thus, China's defence and strategic ties with Islamabad remain an important element of its strategic posture in the region. Some analysts, however, predict that cooperation with Pakistan will increasingly be tempered by the current trend of warming ties with India.<sup>62</sup> Amidst this ambivalence, a point seems to be clear; Sino-Pakistan military ties are to continue.

Sino-Pakistan cooperation in non-defence areas, economic cooperation in particular is also substantive. They have an operative Preferential Trade Agreement (PTA). Both the countries have committed to and are preparing ground for concluding a Free Trade Agreement (FTA).<sup>63</sup> If signed, for China, it would be the second FTA with any country after ASEAN.<sup>64</sup> Currently, the annual trade volume between the two countries is about US\$2.5 billion.<sup>65</sup> An FTA is likely to give a significant boost to the further development of bilateral trade.

Besides Pakistan, some other regional countries, Bangladesh, Nepal and Sri Lanka in particular, have as well a substantial stake in the process of improvement of Sino-Indian relations. They do not have any dispute with China. They are also not concerned at the

growing power and stature of China in the region and beyond. Instead, these countries view China as an ally in their efforts to enhance their political space, and to ensure a steady, and more affordable, supply of military weapons and technology not available elsewhere. They also expect to gain from China's robust economic growth and scientific-technological development through mutually beneficial co-operation. To them, China's power and independent role enhances their security by balancing India's pre-eminent position and regional ambitions.<sup>66</sup>

Over the years, China has developed multifarious mutually beneficial cooperation with all these countries. China's trade and economic relations with Bangladesh and Sri Lanka are ever-increasing. China remains a principal supplier of arms to both the countries. With the signing of Bangladesh-China Defence Cooperation Agreement during Prime Minister Begum Khaleda Zia's visit to China during December 23-27, 2002, defence co-operation between the two countries reached a new level.<sup>67</sup> Sino-Bangladesh trade is witnessing a steady growth. The two-way trade increased from US\$235 million in the fiscal year 1993-94 to US\$757 million in the fiscal year 2002-03.<sup>68</sup> Thus, by now, China has emerged as a significant trade partner of Bangladesh.

While politico-security and economic-technical cooperation with China do indeed decrease, to an extent, the sense of insecurity of the other regional countries vis-à-vis India and increase their

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61 Rollie Lal, *op. cit.*

62 *Ibid.*

63 See, "Pakistan, China to Strengthen Trade and Economic Ties", Press Release by the Ministry of Commerce, Government of Pakistan, February 28, 2005, URL: <http://www.harolddoan.com/modules.php?name=News&file=article&sid=1212> accessed on June 8, 2005

64 See, Huma Amir Malik, "China, Pakistan to Expand Trade, Economic Ties", URL: <http://www.arabnews.com/?page=4&section=0&article=61463&d=2&m=4&y=2005> accessed June 8, 2005

65 "Pakistan, China to set up free trade area", *China Daily*, December 26, 2004, URL: [http://www.bilaterals.org/article.php3?id\\_article=1104](http://www.bilaterals.org/article.php3?id_article=1104) accessed June 7, 2005

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66 Sujit Dutta, *op. cit.*

67 See, Subhash Kapila, "Bangladesh-China Defence Co-Operation Agreement's Strategic Implications: An Analysis", Paper No. 582, South Asia Analysis Group (SAAG), URL: <http://www.saag.org/papers6/paper582.html> accessed May 16, 2005

68 A.N.M. Nurul Haque, "Year of China-Bangladesh Friendship", *The Bangladesh Observer*, April 13, 2005, URL: <http://www.bangladeshobserveronline.com/new/2005/04/14/editorial.htm> accessed June 8, 2005

manoeuvrability in the regional context and beyond, the nature and magnitude of these relations are far from being posing any kind of challenges, more so, security challenges to India. Nonetheless, certain circles in India, notwithstanding the recent improvements in Sino-Indian relations, continue to display considerable sensitivity to the development of co-operation between China and other regional countries. They consider it as a Chinese denial of India's predominant position in South Asia. Thus, the fact that Chinese Prime Minister's visit to South Asia of April 2005 also included, besides India, Bangladesh, Pakistan and Sri Lanka has been viewed, by an Indian analyst, as Chinese unwillingness to recognise India as the regional power in South Asia.<sup>69</sup>

Thus, like any kind of involvement of extra-regional powers in South Asia, the recent process of improvement in Sino-Indian relations and the parallel continuation of China's long-standing co-operation with other regional countries are being viewed by the regional countries in competitive terms, by India and Pakistan, even in terms of old-fashion zero-sum game. This approach is rooted to the divergent security perspectives of regional countries and their mutual mistrust and suspicion discussed above as well as numerous regional conflicts in the region that bedevilled the inter-state relations in South Asia over the last about six decades. The situation is unlikely to change until the regional countries can bring a positive change in their perception of each other and make a shift away from conflict to a course of cooperation at the regional level. Until then, China is likely to continue its efforts at striking a balance between its emerging relations with India, on the one hand, and its long-standing cooperation with the others, while moving ahead. Thus, Chinese policy towards and its aspirations regarding South Asia has been articulated by *Peoples Daily* as follows, "The various "partnership

relations" between China and the South Asian countries will not eject each other. The double-win can be realised in the cooperation between China and Pakistan and that between China and India while Indian and Pakistani relations will be improved in an all-round way".<sup>70</sup>

## V. Sino-South Asian Relations: The Role of Extra-Regional Powers

As indicated, from the very onset of independence, South Asia has been bedevilled by deep-rooted mistrust and perennial conflicts. In this regard, involvement of extra-regional great powers in the region significantly influenced the shaping of regional balance of power. The extra-regional powers also compete among themselves to enlist the support of regional countries to their regional and global agenda. Thus, regional conflicts have often been complicated by the competitive involvement of extra-regional great powers. In certain cases, however, crises have been defused and even wars stopped primarily thanks to co-operative endeavours on the part of the extra-regional great powers.

In the circumstances, when an extra-regional great power with long-standing and significant involvement in South Asia like, China, brings qualitative change to its policy towards the region, the development certainly touches upon the interests of other extra-regional great powers involved in the region and provoke consequential response. The nature of the response and consequential interactions are likely to be determined by the dynamics of mutual

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69 Subhash Kapila, *op. cit.*

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70 Peoples Daily, April 13, 2005, URL: [http://english1.peopledaily.com.cn/200504/12/eng20050412\\_180663.html](http://english1.peopledaily.com.cn/200504/12/eng20050412_180663.html) accessed June 8, 2005

relationship between China, on the one hand, and other extra-regional great powers individually, on the other.

In concrete terms, besides China, three extra-regional powers have varying degree of involvement in South Asia. These are, the US, Japan and Russia. Besides, EU has significant involvement in the region. The US, EU, Japan and Russia have a wide variety of interests in South Asia that include, military-strategic, politico-diplomatic, economic, socio-cultural and others. These interests are complex and include the elements of both, convergence and divergence. Therefore, as these powers would manoeuvre in pursuit of their interests in the region, they would enter a complex relationship marked by simultaneous prevalence of conflict and cooperation. Hence, an attempt would be made below to probe into the dynamics of China's complex relations with other extra-regional great powers in general as well as in the context of South Asia with a view to assessing their impact on Chinese policy towards the region and its relations with the regional countries.

At this juncture of history, no country merits greater significance to South Asia than the US. Take the case of two archrivals in South Asia, who exert the decisive influence in regional developments. The US, for the first time, has good relations with both, India and Pakistan, at the same time. The importance of US support and assistance to Pakistan in addressing its security predicaments, both domestic and regional, and in enhancing the process of its economic reconstruction is unparalleled. Similarly, Washington's cooperation is vital to India in fulfilling its economic, political, security and diplomatic goals. The dependence of other regional countries on US support and assistance is even greater. The US, thus, gained more influence and leverage on South Asia than any other power.

As we have indicated, due to the complexity of mutual interests and the forces and factor that shape bilateral relationship, the US remains undecided on whether to pursue a policy of prevention-containment or engagement in relation to China. Both considered incapable of adequately serving the US interests. In the circumstances a third option that combines elements of both, containment and engagement, and called by one of its proponents 'congagement' seems to be in vogue with the US policymaking circles. The policy is designed to "accomplish three things: preserve the hope inherent in engagement policy while deterring China from becoming hostile and hedging against the possibility that a strong China might challenge US interests. It would continue to try to bring China into the current international system while giving equal attention to deterrence and preparing for a possible Chinese challenge to this system while seeking to convince the Chinese leadership that a challenge would be difficult to prepare and extremely risky to pursue."<sup>71</sup> So clearly spelt, the policy, however, maintains ambivalence regarding whether it would be tilted towards containment or engagement.

In practical term, the US policy towards China came to embrace two opposite trends, containment and engagement/cooperation. The same implies to US policy in relation to China regarding interaction between the two countries in South Asia. This has generated a variety of widespread speculations regarding US policy towards China. In the context of South Asia, one of such widely discussed speculations is a possible Indo-US alliance to contain China.

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71 Zalmay Khalilzad, "Congage China", *RAND Issue Paper*, (IP-187, 1999), URL: <http://www.rand.org/publications/IP/IP187/IP187.html> accessed May 20, 2005

If considered against the prevailing reality, this appears to be a highly unlikely event. First of all, both, India and the US have substantive interest vis-à-vis China, which they would not like to jeopardise. For India, hostile relations with China in the past proved to be too costly. There is no reason why it should not be the same in the future. Prospects for geo-strategic, political and economic gain from mutually beneficial cooperation with a friendly China are enormous. It has, therefore, little to gain by entering into an alliance with the US against China. As seen through Indian eyes, Indo-US relations are based on significant congruence of a host of growing strategic, political and economic interests and these relations do not need a China card to sustain them.<sup>72</sup> The improved relations India enjoys with both the United States and China today reduces the reasons for concern. India just needs to remain watchful of the Sino-US relationship.

No less important point, even India that was impoverished, had a lower international stature and suffering from a sense of being defeated and humiliated by China did not sacrifice the independence of her foreign policymaking by joining US-led military alliances. There is no reason why India should sacrifice that independence now when it is much stronger economically, militarily and politically, and moving down the path of economic growth, prosperity and great power status.

Similarly, in the post-September 11 South Asia, the US and China share a number of common interests. According to a Chinese analyst, these include, “maintaining regional stability in South Asia

and helping in Pakistani national construction. This also includes trying to jointly keep the *status quo*, to persuade India and Pakistan to resume direct dialogue and to cooperate on counter-terrorism and social transformation in Pakistan”.<sup>73</sup> Any US analyst would hardly disagree.

The United States is also aware that a hostile China could detrimentally affect US interests in many ways and beyond Asia. It would also not like to jeopardise its substantive economic interests in China. If all these are considered against the fact that no possible combination of powers can effectively challenge the US position as the single-most important extra-regional power in South Asia then the cost benefit analysis of an Indo-US alliance directed against China does not appear to be attractive to the US.

However, the very idea of such an alliance put China on a sharp alert and Beijing is carefully following the ongoing debate on the issue in the US and India. There are indications that it would do everything possible to forestall such an alliance.<sup>74</sup> The policy as some Chinese sources suggest is to neutralise warming US-India cooperation by “enhancing cooperation with the US in global and regional affairs and initiating a constructive dialogue with India”.<sup>75</sup> Regarding India, China has even moved far beyond and, by now, a meaningful process of co-operation is already initiated.

In the light of the above, an Indo-US alliance directed against China is a highly unlikely eventuality. Instead, the emerging triangular relationship between India, China and the US is likely to

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72 Venu Rajamony, “India-China-U.S. Triangle: A ‘Soft’ Balance of Power System in the Making” URL: <http://www.arches.uga.edu/~asr2/Readings/rajamony.pdf> accessed May 29, 2005

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73 Zhang Guihong, “US Security Policy towards South Asia after September 11 and its Implications for China: A Chinese Perspective”, URL: <http://www.idsa-india.org/SAARCHIVES/SA200302/APR-JUN01.htm> accessed June 1, 2005

74 *Ibid.*

75 *Ibid.*

be complex in which each will manoeuvre to create maximum diplomatic space for itself and work to improve relations on both fronts without entering into formal alliances. Collaboration between the two against the third is likely only on an issue-by-issue basis.

If the idea of an Indo-US alliance directed against China does not move beyond speculation, as suggested by the discussions above, then this would also determine the behaviour of other extra-regional powers, namely, EU, Japan and Russia. Japan's South Asia policy is unlikely to move beyond being defensive vis-à-vis China in South Asia. First of all, Japan clearly realises its importance to South Asian countries as an economic partner. A whole gamut of mutually beneficial economic and scientific-technical and other forms of cooperation between Japan, on the one hand, and individual South Asian countries, on the other, will serve as a powerful restraint against any alliance with China directed against Japan.

No less important, in the backdrop of US influence over South Asian countries and US political and security guarantee to Japan, for Tokyo, there is very little reason to be concerned with its position in South Asia. In this regard, if circumstances demand, the US and Japan may consult or even co-ordinate their South Asia policy regarding China. Finally, both China and Japan clearly realise that difficulties in their bilateral relations need to be addressed at the bilateral or at best at the East Asia regional level. In the light of the above, while Sino-Japanese rivalry in South Asia is unlikely, a competition between the two countries for a greater space, at times even at the expense of the other, cannot be ruled out.

The magnitude of EU's economic relations with South Asian countries in terms of trade, aid, scientific and technical cooperation as well as FDI is literally vast. However, EU is still an organisation

of sovereign states. While it has a common stand on many international issues, its individual members, often, pursue different or even divergent policies towards a host of issues. In our context, while the EU countries, by and large, share the US concerns regarding China, a number of influential members of EU, Belgium, Germany and France in particular, often express their anguish at and resentment against the unipolarity and unilateralism. In the circumstances, a more likely policy proposition for the EU countries, in this regard, would be one that takes into account all the complexities of their interests and relations vis-à-vis the regional countries as well as all the extra-regional powers. Whether and how far that policy would be compatible to the policy of its other allies, the US and Japan, would depend on the EU countries' perception of compatibility of their interests vis-à-vis those of their allies on the concrete issues.

Russia remains the only extra-regional power to wholeheartedly welcome the ongoing process of improvement in Sino-Indian relations. Over the last decade or so, Sino-Russian relations have undergone dramatic transformation. The delimitation of international border has been accompanied by CBMs relating to force levels and troop movements. A dynamic process of mutually beneficial cooperation is effectively operative. Their relations enjoy a degree of stability. Currently, the Sino-Russian relations are characterised by broader convergence of strategic interests of the two countries. The areas include, favourable international environment for domestic consolidation and reconstruction, and increasing space for them in a unipolar world.<sup>76</sup>

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<sup>76</sup> See, Rajan Menon, "The Strategic Convergence Between Russia and China," *Survival*, Vol.39, No.2, Summer 1997, pp.101-25.

Exports of an entire range of major weapons systems to China and India have become almost a necessity for Russia to finance its economic recovery plan, not to mention the capital needed to maintain its export competitiveness in the increasingly resource-intensive global arms market.<sup>77</sup> China, partly due to resource constraint and partly due to persistent arms embargo on the part of the West, and India, largely due to resource constraint, are increasingly opting for Russian weapons. In the process, China has emerged along with India as the leading purchaser of Russian armaments.<sup>78</sup> In the circumstances, the ongoing process of improvement in Sino-Indian relations is seen by Moscow as positive developments. It also dispels Moscow's worry regarding India moving towards the US too fast.

Barring its relations with India, South Asia does not figure prominently in Russia's strategic priorities. Improving its relations with the major powers, primarily the US, West Europe and Japan, and securing more favourable terms of trade in the economic domain is of vital importance.<sup>79</sup> Its South Asia policy is likely to be aimed at pursuing the opportunity of mutually beneficial co-operation with South Asian countries while India will continue to remain the prime focus.

The most significant question that follows the above discussions is: what kind of great power relationship is emerging in South Asia and its implications. First of all, the US is certain to retain its overwhelming influence in the region in the predictable future. With improved relations with India and prospective development of its

long-standing co-operation with Pakistan, Bangladesh, Nepal and Sri Lanka, China is also likely to increase its standing with the regional countries. Japan, while, to an extent, concerned at the rise of China, including its standing in South Asia, would have strong ground to remain confident about its position in the region primarily thanks to the wide network of multifarious co-operation with the regional countries as well as its alliance relationship with the US. Similarly, for the EU countries, there is nothing to be alarmed with the Chinese efforts at improving its relations with South Asian countries. Russia, while view the changed Chinese policy towards South Asia and its upgraded standing with the regional countries with satisfaction, it will continue to give the region a low-key profile in its foreign policy due to other pressing priorities and preoccupations.

If one takes into account the broader policy objectives of these four powers, regionally as well as globally, one can not miss the fact that the US and Japan will find a significant convergence of their interest in South Asia, while the same implies to China and Russia. However, there is hardly any possibility of the formation of two competing duos and subsequent struggle between the two for influence in the region. Reasons are obvious. In comparative terms, the divergence of interest between China, on the one hand, and the US and Japan, on the other hand, is much more prominent than the case of Russia. More importantly, both China and Russia value their relations and the need for mutually beneficial cooperation with the US and Japan. Therefore, the re-emergence of great power rivalry in South Asia is an unlikely eventuality, while the efforts at maximising their gains from the complex interaction involving both the regional and extra-regional actors are a convincing possibility.

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77 Anupam Srivastava, *op. cit.*

78 Simon Saradzhyan, "Russian Firms Want Permission To Collaborate With India, China," *Defense News*, (October 23, 2000).

79 Anupam Srivastava, *op. cit.*

While it is true that both China and Russia seek improved relations with the United States and clearly understand the consequences of any conflict with Washington, they also seek greater autonomy for themselves in international affairs. While compelled to accept the reality, China and Russia are inherently apathetic to the Pax Americana. Both share a basic aim towards greater multipolarity in the international system, and to reduce the overwhelming US policy influence in Asian affairs. And this will keep the seeds for prospective conflict alive. At the moment, the only option for both China and Russia is to learn to live with unipolarity. However, as their economic and military strength grows, China and Russia, like many countries and regions in the world, are looking forward to an opportune moment to renegotiate the unilateral global order. If and when such a moment comes, the process will also include South Asia.

## VI. Conclusion

The new Chinese policy towards South Asia, the response of the regional as well as extra-regional countries to this policy and consequential emerging trends in Sino-South Asian relations, as discussed above, have added certain degree of uncertainty in regional development. The uncertainties revolve round Chinese policy itself and its central focus, Sino-Indian relations, with the central question being what kind of relationship is emerging between New Delhi and Beijing and how it would impinge upon the interest of other South Asian countries. China, on its part, is likely to continue its efforts at striking a balance between its emerging relations with India, on the one hand, and its long-standing co-operation with other South Asian countries, Pakistan in particular. Nonetheless, a degree of uncertainty

would continue to prevail until the developments take a concrete shape.

Recent developments in Sino-South Asian relations have also generated considerable degree of dynamism in the region that embraces a wide variety of spheres, particularly the politico-strategic and economic ones. China has displayed a distinct unwillingness to be entangled in interstate conflicts in South Asia. Instead, it is encouraging the regional countries to concentrate their efforts on the reconstruction of their economies and societies, and move away from conflict to a course of cooperation. In the contemporary world, aggregate economic strength is increasingly assuming more and more importance as a determinant of the power and status of a state. China's drive towards rapid growth and modernisation, and integration to the global economy owes its origin to such a perception. This has radically changed Chinese approach in selecting countries for "partnership relations". Now, economic rationale exerts crucial influence on China's choice of partners for cooperation.

All these have created pressure on South Asian countries to change themselves in two crucial ways. Firstly, there is pressure on South Asian countries to resolve or, at least, manage regional conflicts properly and revitalise the process of mutually beneficial cooperation. Secondly, there is also pressure on them to concentrate their efforts on the reconstruction of their economy so as to make them attractive to the outside world as partners for cooperation. While there is competition among the extra-regional great powers to maximise their interest in the region, all of them would like to see the same change in the approach of South Asian countries towards domestic and regional developments.

Such a consensus among the extra-regional great powers couple with a host of military-strategic, socio-economic and politico-cultural

predicaments faced by South Asian countries are gradually changing the regional approach in two crucial issues, peace and development. The need for proper management of interstate conflicts in South Asia is being increasingly realised and also being more pronounced in policy statements of the regional leaders. In practice as well, a process of *rapprochement* in Indo-Pakistan relations is progressing *albeit* with difficulties. Regarding defence-development dichotomy, the academic debate as well as practical policy of South Asian countries is apparently shifting towards more emphasis on development.

The process of change is, however, complex and contradictory. Efforts at resolving the bilateral disputes in South Asia are yielding only marginal gains. Most of the contentious bilateral issues remain stagnant and, thus, continue to vitiate bilateral relations casting a dark shadow on the regional environment. While SAARC's prospects seem to be promising, it is falling far short of the expectations. In the context of contemporary world, when cooperation among the regional countries is of crucial importance for socio-economic development, the SAARC has been suffering from recurrent crises. On the positive side, stalled SAARC process was reactivated through the successful holding of the 13<sup>th</sup> SAARC Summit in Dhaka during November 12-13, 2005 that decided to gradually implement the South Asian Free Trade Agreement (SAFTA) within the decade starting from January 2006.

While socio-economic development is attracting increasing attention on the part of policymakers in the region, in Indo-Pakistani policy fundamentals, defence still continues to outweigh the development. Arms race between the two countries is continuing unabated. Such complexities and contradictions would make it difficult to predict a distinct future. Nonetheless, some points seem

to be clear. First of all, South Asia is faced with enormous prospects and severe challenges regarding two crucial issues: peace and development. While, extra-regional powers will play a definite role in this regard, the future of peace and development in South Asia would ultimately and crucially depend on the regional countries themselves.

*Sharif M. Hossain*

## **BANGLADESH AND FREE TRADE AREA: REGIONAL AND BILATERAL ROUTES**

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### **Abstract**

To achieve the benefits of globalisation, Bangladesh is engaging in bilateral and regional trading arrangements simultaneously. Two regional trading arrangements, SAFTA and BIMSTEC-FTA have already been finalised. At the same time, Bangladesh is considering three bilateral trading arrangements with India, Pakistan and Sri Lanka respectively. Now a number of pertinent questions are: What difference will it make for Bangladesh to sign bilateral FTA alongside regional FTA? Can bilateral FTA be a substitute for regional one? Which one will be beneficial for Bangladesh – bilateral trading arrangement, regional trading arrangement or some combination of bilateral or regional trading arrangement? Using the Global Trade Analysis Project (GTAP) model and data, the paper shows that welfare benefits of regional arrangements could be higher than bilateral arrangements. However, in regional arrangements, sometimes big economies may not offer handsome concession due to distinct interest with an individual country, and they offer large concessions in bilateral arrangements. In this respect a combination of bilateral and regional trading arrangements may be the viable policy options for Bangladesh.

### **1. Introduction**

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Bangladesh has been liberalising trade regime gradually with the aim of integrating into the global economy and getting the benefits of globalisation. In recent years, one of the important elements in Bangladesh's trade policy is to promote trade in the South Asian region. Trade creation, poverty reduction and export led economic growth are the main objectives behind this policy. Keeping this view in mind, Bangladesh is striking some regional free trade deals with its neighbouring countries, namely, South Asian Free Trade Area (SAFTA) and Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Free Trade Area. Other proposals have been raised, mainly from the business community, to initiate bilateral free trade arrangement with India, Pakistan and Sri Lanka.

The member countries of South Asian Association for Regional Cooperation (SAARC) signed the SAFTA agreement on January 06, 2004 in Islamabad and the agreement came in to effect from January 01, 2006 with a special grace period for the Least Developed Countries (LDCs) within the group. The agreement is expected to come into force on July 01, 2006<sup>1</sup>. The meeting of the 'committee of experts' on SAFTA has been going on in order to resolve the issues of sensitive list, rules of origin, revenue compensation mechanism, non-tariff and para-tariff barriers etc. At the same time, Bangladesh has started negotiation on the issues for BIMSTEC-FTA and also some other bilateral trading arrangements with its neighbours. According to the official sources the initial round talks on free trade agreement between Bangladesh and India will take place in Bangladesh shortly. Contacts with Pakistan and Sri Lanka are also on for suitable dates to launch similar FTA negotiations with them.

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<sup>1</sup> *The DAWN*, Online edition of National Newspaper in Pakistan, November 29, 2005.

The recent initiatives of Bangladesh to enter in to the various free trade arrangements have raised some debate regarding the impact and relevance of those arrangements. Though signing of the SAFTA agreement is a landmark in the evolution of the SAARC, the commodity-by-commodity negotiations under SAFTA proved highly labourious and time-consuming. On the other hand, when the Cancun Ministerial collapsed, the stakeholders are more interested to engage in bilateral free trade arrangement rather than regional. For Bangladesh a number of pertinent questions may be raised: What difference will it make for Bangladesh to sign bilateral FTA alongside regional FTA? Can bilateral FTA be substitute for regional one? Which one will be beneficial for Bangladesh – bilateral trading arrangement, regional trading arrangement or some combination of bilateral or regional trading arrangement? The main objective of this paper is to address these questions and suggest a road map for Bangladesh, i.e., how Bangladesh should go ahead to be involved in a free trade arrangements. The paper will also make a comparison between bilateral and regional trading arrangements in the context of Bangladesh.

The paper is organised as follows. Following the introduction, Section 2 provides the mechanism of bilateral and regional FTA and their complementarities. Section 3 provides the consistency of regional FTA under the existing World Trade Organization (WTO) discipline. Section 4 discusses the criteria for a successful Free Trade Area. Section 5 gives a brief picture regarding the progress of bilateral and regional approach to FTA. Section 6 provides the implication of bilateral and regional approach to FTA for Bangladesh while Section 7 draws the conclusion.

## **2. Bilateral and Regional FTA: Mechanism and their complementarities**

Recently, Bangladesh has been engaged in various bilateral and regional free trade arrangements in South Asian region and the negotiation is going on with the member countries. The private sector expert group urged the government to pursue bilateral FTA talks side by side with talks in regional levels. On the other hand, a section of the experts and civil society is opposed to FTA with India, Pakistan, Sri Lanka and other SAARC nations on bilateral basis arguing that such deals will overlap each other as proposed SAFTA and BIMSTEC-FTA cover preferential trade issues with those countries<sup>3</sup>. With these concerns, two issues have been discussed in this section – i) is there any essential difference between bilateral and regional FTA mechanism? and ii) whether a regional approach to trade policy is necessarily in conflict with a bilateral approach.

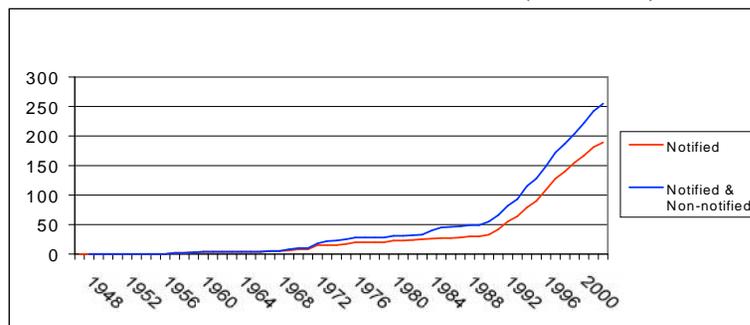
Regarding the first issue, the instruments of a free trade talks does not differ substantially in case of bilateral and regional framework. Generally they include Trade Liberalisation Programme, Rules of Origin, Institutional Arrangements, Dispute Settlement Procedures, Trade Remedies, Special and Differential Treatments and any other instrument that may be agreed upon. Under the Trade Liberalisation Programme the components are Tariff, Para-Tariff, Non-Tariff Measures and Direct Trade Measures. So, there is no instrumental difference between bilateral and regional FTA mechanism. But the procedure to get a final accord varies between bilateral and regional FTA mechanism. In case of regional FTA negotiation interests of all the member countries are considered to get the accord while in the absence of any third countries bilateral FTA mechanism only concentrate the optimal interest of those two countries. Bilateral trade agreements differ considerably in scope,

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<sup>3</sup> *The Daily Star*, Dhaka October 04, 2004.

varying from the exchange of preferences on a limited range of products between two, to include various trade-related provisions going beyond traditional tariff reduction or elimination. The new generation of bilateral arrangements tend to go far beyond traditional tariff-cutting exercises and often include rules on investment, competition, environment and labour which are beyond the scope of existing regional rules.

**Chart 1 - RTAs notified to the GATT/WTO (1948-2003)**



Source: WTO (2003)

Regarding the second issue, there are some debates about the extent to which bilateral agreements are complementary to regional agreements, or are a risk or a distraction to regionalism. In any case, the number of bilateral agreements is growing. Most of the world's major trading nations are already party to such agreements, and are actively engaged in negotiating further agreements. Whether a complement or a distraction to regionalism, virtually all trading nations appear to be pursuing bilateral and regional agenda at the same time. By the end of 2003, nearly 290 RTAs had been notified to GATT and subsequently to the WTO. Of these, more than 190 are estimated to be in force and another 60 or so are estimated to be

operational but not yet notified.<sup>4</sup> The most common category is the free trade agreement (FTA) which accounts for 70 percent of all RTAs. Partial scope agreements and customs union agreements account for 23 and 7 percent, respectively. Among the type of arrangements bilateral agreements dominate in number. According to the WTO estimates, the three-fourths of world trade is currently conducted under bilateral or plurilateral agreements. So from these premises, bilateral arrangements are not complementary to regional one. Many bilateral arrangements are being negotiated or explored among major economic players in the region. These types of dual engagements are also permissible under the existing WTO framework.

Another thing should be mentioned here that free trade does not mean the free movement of all commodities within the member countries. Generally commodities are divided into two categories in any FTA, namely, sensitive list and free list. The commodities under the sensitive list do not get the benefits of tariff concession in the importing countries while the commodities of free list get the benefits of duty free access. Sometimes the time limit varies from commodity to commodity and country to country to get the duty free access. In these circumstances, one country can pursue bilateral and regional trade negotiation with the same countries if she thinks she will be able to achieve some extra benefits regarding the sensitive list and special and differential treatment. Since Bangladesh is an LDC, it is easier for her to achieve some extra benefits through regional negotiation but it may not be possible through bilateral negotiation. Similarly, in bilateral negotiation, some extra facilities can be achievable which is not possible in regional negotiation. Because in case of RTAs, one country will be bound to give the same facilities to all the countries of a certain group if she grants any

<sup>4</sup> Chandrasekhar and Ghosh (2004)

facility to any particular country of that group. From this point of view, although there is no essential difference between the mechanism of bilateral and regional approach of FTA, country may be benefited through simultaneous negotiations of bilateral and regional framework with the same country or the group of country.

### 3. Consistency of Regional FTAs under the Existing WTO Disciplines

There are some questions regarding the legal entity of FTAs under the existing WTO disciplines. The creation of FTAs may be attributed to difficulty in the multilateral negotiations conducted at the WTO. FTAs, being an agreement to eliminate trade barriers among member countries only, have a discriminatory aspect against non-member countries. The General Agreement on Tariffs and Trade (GATT) prohibited discrimination and required each member country to give most favoured nation (MFN) treatment to the other member countries. Therefore, FTAs violate at least the spirit of GATT. However, under some specific situation the WTO member countries are permitted to formulate such arrangements. The three sets of rules are:

- i. Article XXIV of GATT, which provide for derogation from the MFN clause and offer the provision for the formation and operation of customs unions and FTAs;
- ii. The enabling clause of GATT which provides the opportunity to the preferential trade arrangements among the developing country members; and
- iii. Article V of GATS which governs the conclusion of FTAs in the area of trade in services.

Bilateral and Regional FTAs among South Asian countries could be set up under these rules. To examine these regional groups and assess their consistency with WTO rules a Committee on Regional Trade Agreements (CRTA) has been created by the WTO general

council<sup>5</sup>. The effect of FTAs on regional trading system and their relationship with regional arrangements are also examined by CRTA.

### 4. Criteria for a Successful Free Trade Area

Theoretically, success of a free trade area depends on fulfilment of some criteria. If those criteria have been fulfilled then the probability is higher for an economically viable FTA. In trade related theories and literatures, the economists agreed to set up some common necessary conditions. Bandara and Yu (2003) and Krueger *et al* (2004) have described the following conditions for the successful completion of an FTA.

*4.1 Geographical Proximity:* Geographical proximity had always been a key issue for trade between two countries. Around the world one of the major determinants of bilateral trade is transport cost. Evidently, for reduced transport and communication cost neighbouring countries could get advantage while countries far away are disadvantaged. Regional trading arrangements should be undertaken on the basis that it is natural for neighbours to indulge in trade with each other. Goods from neighbouring countries may also be more compatible with local factors of production than those from farther away. While regional trading arrangements follow this pattern, bilateral trading arrangements may take place between distant partners. Although these FTAs do not benefits from transport cost savings, they benefit on other counts, as they would have traded in any case.

*4.2 High Pre-FTA Tariff Rates:* High pre-FTA tariff rates increase the probability that trade will be created among members, rather than diverted from non-members to members.

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<sup>5</sup>Visit World Trade Organization (WTO) website for detail.

*4.3 High Degree of Bilateral Trade:* High degree of bilateral trade is an encouraging sign for establishing an FTA. Benefits from FTA would be higher among the countries having high degree of bilateral trade while trade agreement with little prior trade would be unsuccessful.

*4.4 Presence of Trade Complementarities:* Free Trade Areas are likely to succeed in strengthening bilateral trade if the trade structures of member countries exhibit strong complementarities. When the commodities of one country have a considerable demand to other country the potential benefits of trade are higher. If the commodities of an FTA member countries are same in nature, member countries would not be able to touch the envisaged levels of trade due to low level of trade complementarities.

*4.5 Differences in the Pattern of Comparative Advantage:* Countries having different competitiveness among different commodity groups would be able to create a successful free trade area. Prospects of trade expansion are likely to be weak for countries that have comparative advantage in similar products.

*4.6 Little Political Tensions:* Political tensions have also undermined efforts to foster trading arrangements. Political conflicts hamper the negotiation and implementation of any trading arrangement. Absence of or little political tensions create a friendly environment among the member countries to reach the final decision smoothly.

Now the question is whether Bangladesh's engagement with its neighbouring countries to form a free trade area meets the above preconditions or not? The criteria of geographical proximity are present in SAFTA and BIMSTEC member countries. With all these countries, Bangladesh enjoys relatively low transport cost compared to other trading partners. Despite the recent effort to liberalise trade, the member countries of SAFTA and BIMSTEC have long been maintaining high tariff rates. Bandara and Yu (2003) show that

average regional tariff rate in South Asia is higher than other trading blocks. The third criteria high degree of bilateral trade with the member countries is totally absent in SAFTA and BIMSTEC block. Table 1 and Table 2 show the share of bilateral and regional export and import as a percentage of world exports and imports. The export share of Bangladesh with SAFTA and BIMSTEC members is 1.75 and 1.26 percent respectively while individually with all the member countries it is less than 1 percent of world export. In case of import Bangladesh is a big trading partner for India. Bangladesh's import share with India is about 16 percent while with other countries it is less than 1 percent. Bilateral trade of other countries in these sub-regions is not significantly high. The other two criteria trade complementarities and differences in the pattern of comparative advantage have been analysed by Kemal (2004). The paper shows that strong trade complementarities are absent in all South Asian countries with other member countries. This paper also argues that SAFTA member countries have an almost identical pattern of comparative advantage in some products. The last criterion, little political tension, is not present in South Asia. Political tension between two large member countries in SAFTA, India and Pakistan is always a problem for creating cooperation. The relationship between Bangladesh and India is also not so satisfactory.

So it is clear that member countries of SAFTA and BIMSTEC do not meet all the preconditions which are required to create a successful free trade area in this region. But it is not mandatory to satisfy all the criteria in all the cases. Because after formation of an FTA the demand of products will change and the member countries may be able to diversify its products. Same situation may be occurred in case of comparative advantage, with increased demand situation and large scale of production countries will obtained difference in comparative advantage.

## **5. Progress with Regard to Regional and Bilateral Approaches to FTA**

### *5.1 Progress in Regional Approach to FTA*

At Male Summit in 1997, the regional approach of Free Trade Area in South Asian region was first initiated by the member countries of SAARC. At that time the member countries intended to establish the SAFTA by 2001. But due to the political instability among the member countries, the enforcement of SAFTA within its scheduled time was delayed. However, at the Colombo Summit in 1998, a 'committee of experts' was set up to draft a comprehensive treaty regime for creating a free trade area in South Asian region. The 'committee of experts' prepared the framework of the proposed SAFTA and the member countries agreed in principle to it. In 2004 at the 12<sup>th</sup> Summit of the regional forum in Islamabad, the SAARC foreign ministers signed the framework agreement to establish SAFTA for better economic cooperation among the South Asian nations. According to the agreement on SAFTA, the member countries agreed to the following schedule of tariff reduction (Table 3)

In the first phase, India, Pakistan and Sri Lanka (developing countries) will reduce tariff to 20 percent and Bangladesh, Bhutan, Maldives and Nepal (least developed countries) will reduce to 30 percent if the actual tariff rates are higher than this limit. If the actual tariff rates are below this limit, there will be an annual reduction on a Margin of Preference basis of 10 percent for developing countries and 5 percent for least developed countries on actual tariff rates for each of the two years. In the second phase, the subsequent tariff reduction by member countries from 20 percent or below to 0-5 percent will be done within second timeframe of 5 years by India and Pakistan within 6 years by Sri Lanka and within 8 years by Bangladesh, Bhutan, Nepal and Maldives. The member states are

encouraged to adopt reductions in equal annual instalments, but not less than 15 percent annually.

Table 3: Schedule of Tariff Reduction under SAFTA

Countries	Existing Tariff Rates	Tariff Rates Under SAFTA Agreement	Time Schedule
<b>SAFTA First Phase</b>			
India, Pakistan and Sri Lanka	More than 20%	Reduce to 20%	2 Years
	Less than 20%	Annual reduction of 10%	2 Years
Bangladesh, Bhutan, Maldives and Nepal	More than 30%	Reduce to 30%	2 Years
	Less than 30%	Annual reduction of 5%	2 Years
<b>SAFTA Second Phase</b>			
India and Pakistan	20% or below	0-5%	5 Years
Sri Lanka	20% of below	0-5%	6 Years
Bangladesh, Bhutan, Maldives and Nepal	30% of below	0-5%	8 Years

Source: SAFTA Agreement

The other important issues such as rules of origin and the commodities under sensitive list and revenue compensation mechanism have been discussed and finalised in the meeting of the ‘committee of experts’. In this meeting, all the seven member countries reached a consensus on having a common rule of origin. Regarding the sensitive list, all the member countries agreed to make their respective sensitive lists of products smaller. It is expected that the negotiation would be concluded by June 2006 so that the member countries can reduce tariff under the SAFTA treaty from July 2006.

In terms of new potentials for increasing trade and investment year 2004 was very encouraging for the South Asian countries.

Within a span of one month time two free trade agreements were signed in 2004. The first one is SAFTA and second one is BIMSTEC-FTA. Both the agreements are expected to come into force in July 2006. The BIMSTEC framework agreement is not merely for trade in goods, but it includes services, investment and other issues of economic importance as well. According to the agreement of BIMSTEC-FTA the member countries have agreed to the following schedule of tariff reduction.

Table 4: Schedule of Tariff Reduction under BIMSTEC-FTA

Countries	Fast Track Commodities	Normal Track Commodities
India, Sri Lanka and Thailand	0 tariff by 2009	0 tariff by 2012
Myanmar, Bangladesh, Bhutan and Nepal	0 tariff by 2011	0 tariff by 2017

Source: PROACT (2004)

For the purpose of trade in goods, the BIMSTEC-FTA treaty has stipulated tariff reduction to zero percent by 2017 under two different tracks – fast track and normal track (Table 2). However, the timeframes for tariff elimination under fast track and normal track differ, and so does that for developing and least developed members. The three developing members – India, Sri Lanka and Thailand – will reduce tariffs to zero percent on each others’ goods and services by July 2012. The three least developed members – Myanmar, Bangladesh, Bhutan and Nepal – will have another five-year grace period to tear down tariff walls. Tariffs would begin to be reduced in mid-2006 with products designated for ‘fast-track’ treatment to be traded on a zero-tariff basis by mid-2009 for the three developed members and by mid-2011 by the other countries. The last reduction under the normal track would be done before 2017.

### 5.2 Progress in Bilateral Approach

Bilateral approach to FTA in the South Asian region is not a new concept. India has already signed bilateral FTAs with Sri Lanka and Nepal. India-Sri Lanka Free Trade Arrangement (ILFTA) was signed on December 1998. The Sri Lankan experience with India over the FTA is very encouraging. India-Sri Lanka FTA has brought down the trade deficit of Sri Lanka with India from 8.6:1 to 4.9:1 in just two years<sup>6</sup>. Under India-Sri Lanka FTA, India has granted duty free access for 1351 items by 6-digit Harmonised Code immediately on implementation of the Agreement. For Textile 25 percent reduction of tariff for 528 items has been granted. For the rest, except 429 items included in the sensitive list, across the board duty free access would be given in 2 stages within 3 years from the date of implementation of the Agreement<sup>7</sup>. There is a tariff rate quota on tea for 15 million kgs. and on garments for 8 million pieces. Among the 8 million pieces of garments a minimum of 6 million pieces should contain Indian fabrics. No category of garments could exceed 1.5 million pieces per annum. The items in the sensitive list of 429 tariff lines at 6 digit level of Harmonised Code are from various sectors like rubber and rubber products, paper and paper boards, plastics and products thereof, coconuts, alcoholic beverages and textile items, etc. From Sri Lankan duty free access for 319 items by 6-digit Harmonised Code has been granted on the date of operationalisation of the Agreement. In addition, it has given 50 percent tariff concessions on 839 items on the date of operationalisation of the Agreement which has been deepened to 100 percent as on today. For the remaining 2724 items, Sri Lanka would reduce tariffs to zero percent over a period of 8 years in three phases. Sri Lanka's sensitive

<sup>6</sup> *The Hindu*, Online Edition of National Newspaper in India, January 05, 2004.

<sup>7</sup> Department of Commerce, Ministry of Commerce and Industry, Government of India.

list comprises of 1180 items. The rules of origin have been specified by three criteria – (i) the local value addition should be 35 percent. In case of cumulative rules of origin local value addition should be 25 percent; (ii) non originating materials to undergo substantial transformation at 4 digit HS level and (iii) a list of operations like simple packing, cutting and assembly etc. have been defined which would not qualify for duty free market access.

On the other hands, India-Nepal Trade Treaty was signed in 1996 which offers far more liberal terms to Nepal than does the India-Sri Lanka FTA. Under the Treaty India provides, on a non-reciprocal basis, duty free access, without quantitative restriction, to the Indian market for all Nepalese-manufactured articles with the exception of a short sensitive list. Such imports from Nepal are facilitated through a simple procedure of Certificate of Origin. The absence of provisions relating to origin-rules under the India-Nepal FTA raised concerns about imports from Nepal into India, thereby having adverse implications for some Indian domestic sectors. The problem was finally tackled by setting these rules in place during subsequent negotiations. A low value addition criterion has been agreed to by India of a local value addition requirement of only 25 percent for the first year and 30 percent thereafter.

Bangladesh is considering three bilateral Free Trade Arrangements with India, Pakistan and Sri Lanka respectively. The Free Trade talks are going on among the respective officials of these countries. A round of talk on the proposed Free Trade Agreement with India was held on October 2003 at the Joint Secretary level. In that meeting the two countries have agreed to remove tariff and non-tariff barriers to strengthen trade between them. India declined to grant LDC status to Bangladesh and agreed to grant certain trade facilities without granting it concessions as LDC. It, however, agreed to grant special facilities like waiving the necessity for Bangladesh cement exporters to obtain a Bureau of Indian Standards (BIS)

certification if they already had one from Bangladesh Standards and Testing Institute (BSTI). India and Bangladesh have already exchanged a list of para tariff and non-tariff barriers with a view to removing impediments on securing easy access of their exports to other. As per standard practice, the trading partners of a bilateral FTA either maintain a list of goods favourable to each other or follow a sensitive list restricting the export and import of these products. Bangladesh has prepared a 968-item list of goods that will not be traded under a Bangladesh-India Free Trade Agreement (FTA). The list contains seven categories of products, which are agriculture, textile, plastic products, pharmaceuticals, steel and iron, vehicles and electronics. Recently on March 21, 2006 Bangladesh's Finance Minister and Indian Commerce Minister signed the trade agreement between India and Bangladesh<sup>8</sup> where both the countries formally agreed to start negotiations to form a bilateral FTA between them.

Bangladesh was offered a proposal to enter into a free trade agreement with Pakistan during the visit of Pakistani Commerce Minister in 2002. After that the Free Trade talks were held on November 2003 at Dhaka at Joint Secretary level. Bangladesh raised the issue of special and differential treatment of the Bangladeshi goods on the ground of being a least developed nation. Bangladesh proposed free access to Pakistani products after 12 years of signing the FTA, while it wanted Pakistan to open its market one year after the deal. But Pakistan did not agree on this. The major points in the negotiations related to relaxed rules of origin, reduction of direct tariffs, elimination of non-tariff barriers, longer phase-out period of tariff withdrawal and anti-dumping and countervailing measures. Bangladesh persisted with its sensitive list approach in the

negotiations for the pact in a bid to avert a possible adverse impact on its local industries. This approach meant allowing duty-free movement of all products between the two countries save the items incorporated in the list. Pakistan has agreed to give Bangladesh special and differential treatment under the bilateral trade deal and both countries will have sensitive lists. In view of its status as a least developed country, Bangladesh will enjoy a longer phase-out period and have a longer sensitive list of products than Pakistan. Besides, there will be two separate lists under which one category of products will enjoy immediate tariff concession and another category will see tariffs withdrawn in phases. Recently on February 2006 both Bangladesh and Pakistani Prime Ministers agreed to finalise the bilateral free trade arrangement within the shortest possible time. A Pakistani delegation led by its Commerce Minister visited Bangladesh to make a successful FTA deal.

Bangladesh and Sri Lanka also agreed in principle to strike a comprehensive deal as their first round of talks on Free trade agreement (FTA) held on November 2003 in Dhaka. In this meeting both sides had agreed to go for a comprehensive agreement. They signed agreed minutes expressing their intent to sign the FTA and listing the issues with regard to format of the talks and other matters that they agreed during the meeting. Bangladesh and Sri Lanka both agreed to accommodate each other's sensitive list of products to give protection to some of their domestic industries. The talks basically dealt with the framework of the forthcoming agreement and basic issues that needed detailed discussions in the next meetings.

So, bilateral trading arrangements already exist between India and some other South Asian countries. The contracting countries are getting benefits from such arrangements. Now India is becoming more active in seeking out bilateral trade agreements within and outside the region. To enhance trade in South Asian region

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<sup>8</sup> *The Financial Express*, National Daily Newspaper in Bangladesh, March 22, 2006.

Bangladesh is also getting involved in bilateral trading arrangements with its neighbours.

## 6. Implications of Bilateral and Regional Approach to FTA for Bangladesh

In this paper, Global Trade Analysis Project (GTAP) model and data have been used to find out the implications of bilateral and regional approach to FTA for Bangladesh. GTAP is a multi-regional Applied General Equilibrium (AGE) model, which captures the global economic activity<sup>9</sup>. This is a linearised comparative static model which provides a standard modeling framework and a common database for AGE analysis which gives researchers the opportunity to focus on policy implementation problems. The researchers and policy makers of different organisations frequently use GTAP to quantify the impact of FTA.<sup>10</sup>

### 6.1 Overview of GTAP Model<sup>11</sup>

In GTAP model each region has a single representative household. The regional household income is generated through factor payments and tax revenue. Expenditure by this household is governed by an aggregate utility function that allocates expenditure over private consumption expenditure, government consumption expenditure and savings. For the private household consumption CDE (Constant Difference of Elasticities) expenditure function is applied. The government consumption is described by Cobb-Douglas function over composite commodities. Substitution possibilities between domestically and foreign produced goods of the same category are represented by a CES (Constant Elasticity of

Substitution) function. The aggregate utility is also described by Cobb-Douglas function with constant expenditure shares.

In GTAP model, producers operate with constant returns to scale production functions where the technology is described by Leontief and CES functions. Producers maximise profit function by choosing two broad categories of inputs to production, namely, intermediate inputs and primary factors. In each sector, it is assumed to allocate inputs to minimise total cost for a given level of output. Intermediate inputs are produced domestically or imported but movement of primary factors is not allowed in the model.

The GTAP database covers all the bilateral trade, transport and protection data that link 66 regional economic databases. The version-5 of the GTAP database has 66 regions, 55 commodities and 5 factors of production.

### 6.2 Region and Commodity Aggregation

The main objective of this paper is to assess the implications of various bilateral and regional FTA in South Asian and BIMSTEC region and to provide policy suggestions for Bangladesh. Keeping this view in mind each member countries have been separated as much as possible such as – Bangladesh, India, Sri Lanka, Rest of South Asia<sup>12</sup>, and Thailand. In addition, USA, Canada and EU have been separated because Bangladesh and its FTA partners have significant trade relationship with these countries. All other countries are combined as Rest of the World (ROW).

In case of commodity aggregation, 66 commodities are aggregated as 11 commodities. The main strategy for this aggregation is to separate the major traded commodities of the FTA

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<sup>9</sup> See, Hertel (1997)

<sup>10</sup> GTAP related papers are available in GTAP website.

<sup>11</sup> For details, see, Brockmeier (2001)

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<sup>12</sup> The version 5 of GTAP database did not separate Pakistan, Nepal and Maldives. They are considered jointly as Rest of South Asia.

member countries (both in case of intra-regional trade and trade with rest of the world) and aggregate the rest (see, appendix Table.A1).

There are five factors of production – land, unskilled labour, skilled labour, capital and natural resources.

### 6.3 Policy Simulation Scenarios

In this paper six simulation scenarios have been derived related to bilateral and regional FTA. Since the version 5 of GTAP database has combined Pakistan, Nepal and Bhutan as Rest of South Asia, simulation has been done on Bangladesh-Rest of South Asia FTA instead of Bangladesh-Pakistan FTA. In the Rest of South Asia group Pakistan is the dominating country and this simulation will provide the fairly accurate result of Bangladesh-Pakistan FTA. In case of regional FTA, two simulations have been done viz. SAFTA and BIMSTEC-FTA. To perform the simulation of bilateral and BIMSTEC-FTA all tariff and non-tariff barriers have been completely eliminated and only Bangladesh, India, Sri Lanka and Thailand have been considered to perform the BIMSTEC-FTA simulation. Other countries of the BIMSTEC-FTA – Myanmar, Nepal and Bhutan - are not separated in GTAP database. To perform the SAFTA simulation according to the agreement, tariff has been reduced to 5 percent if it is greater than 5 percent. The last simulation performs the combination of bilateral and regional FTA in this region. The policy simulation scenarios are summarised in the Box below.

#### Box :Policy Simulation Scenarios

Six policy simulation scenarios have been drawn in this paper. They are described in below

**Simulation 1:** Bangladesh-India Free Trade Area. All tariff and non-tariff barriers are completely removed between Bangladesh and India.

**Simulation 2:** Bangladesh-Sri Lanka Free Trade Area. All tariff and non-tariff barriers are completely removed between Bangladesh and Sri Lanka.

**Simulation 3:** Bangladesh-Rest of South Asia Free Trade Area. All tariff and non-tariff barriers are completely removed between Bangladesh and Rest of South Asia. The objective behind this simulation is to find a fairly accurate result of Bangladesh Pakistan Free Trade Area.

**Simulation 4:** South Asian Free Trade Area (SAFTA). The tariff is eliminated to 5 percent if it is greater than 5 percent. All the non-tariff barriers are completely eliminated.

**Simulation 5:** Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Free Trade Area. All tariff and non-tariff barriers are completely eliminated within the member countries

**Simulation 6:** Combination of Bilateral and Regional Free Trade Area. This simulation combines the Simulation 1 to 5.

### 6.4 Simulation Results

In this section, the results of the different policy simulations are presented and analysed. The welfare results of various bilateral and regional FTA are shown as Equivalent Variation (EV) and presented in Table A.2. The table shows that the total welfare gain in regional FTA is bigger than bilateral FTA. All the member countries experience a sufficient welfare gain in regional and combination of bilateral and regional FTA. But in case of bilateral approach

Bangladesh gains sufficient welfare only in Bangladesh-India FTA. In this case the amount of welfare for Bangladesh is bigger than SAFTA. But it is only achieved through the endowment effect and other components of welfare such as allocative efficiency, terms of trade effect and investment-savings effect are significantly negative for Bangladesh. Bilateral FTA with Sri Lanka and Rest of South Asia experiences a small welfare gain for Bangladesh only 3.7 million US dollar and 2.2 million US dollar respectively. In all the cases India is the biggest gainer among all the member countries. For Bangladesh the total welfare gain is biggest in BIMSTEC-FTA and combination of bilateral and regional FTA which is around 109 million US dollar.

Table A.3 represents the commodity decomposition of allocative efficiency. Allocative efficiency refers the changes in efficiency as a result of resource reallocation. The gain from the resource reallocation among the agricultural products, processed rice, sugar, food products, wearing apparel and leather is positive in almost all the cases. This is because after arranging the FTA, the mentioned sectors have efficiently reallocated the scarce resources. In terms of allocative efficiency, Bangladesh experiences more gain from SAFTA than other FTA approach.

Industry output of commodity, export sales from Bangladesh and import by Bangladesh are shown in Tables A.4 to A.6 respectively. In case of industry output of commodity regional approach to FTA gives better outcome for Bangladesh. The percentage change of output increases in most of the Bangladeshi industries. Among them textile, wearing apparel, leather, natural resources, extracts agricultural products and service sectors experience significant increase in production. The other manufacturing industries, rice, and

sugar experience production loss. In case of bilateral approach to FTA, Bangladesh-India FTA experience better position rather than Bangladesh-Sri Lanka and Bangladesh-Rest of South Asia FTA. The increasing trends of the mentioned industries indicate that after arranging FTA the domestic and/or export demand of those commodities will increase. As a result Bangladesh's export and import in the South Asian countries increases in most of the commodities. This increasing trend is a sign of the trade creation among the South Asian region. But trade with other member countries outside the region will decrease slightly. This is because in the short run, the Bangladeshi industries will not be able to supply big amount of commodities to all the trade partners. But in the long run, the supply capacity may be adjusted. In Tables A.5 and A.6, in some cases the regional export and import represent a huge amount of change in percentage term. This is because the base value of export and import in this region of those particular commodities is very small.

Table A.7 represents the percentage change of employment in Bangladesh. It shows that the labour employment in Bangladesh both unskilled and skilled category increases in textile, wearing apparel and leather sectors. The demand for labour in wearing apparel increase significantly in all the scenarios and it is bigger in BIMSTEC-FTA around 8 percent and 7 percent in unskilled and skilled category. In case of SAFTA, Bangladesh India FTA and combination of bilateral and regional FTA the demand for labour is also expected to increase in most of the sectors. Bangladesh is a country where a large amount of labour is unemployed. So it is more crucial for Bangladesh to generate employment through FTA and it will be a major achievement for our poor people.

Earlier we have seen that from various FTA arrangements, Bangladesh experience is positive regarding production, trade and employment generation. Now the question is how it will effect on real GDP and household utility. Tables A.8 and A.9 shows the value of real GDP and per capita Household Utility respectively. In most cases Bangladesh experience increase in real GDP and Household Utility. The value of GDP increases significantly in case of SAFTA which is around 0.15 percent.

## 7. Conclusion

This paper has examined some bilateral and regional FTA options for Bangladesh within the South Asian region. It also tried to forecast the possible impact of those FTA arrangements. The analytical tool used in this paper is a static general equilibrium model which cannot capture all the features of an FTA. This model also cannot capture the dynamic effects of trade liberalisation. So the special and differential treatments for tariff reduction cannot be included in the performed simulation. Two other important instruments – sensitive list and rules of origin also cannot be considered in the simulation. With these shortfalls the modelling tool is very useful to compare different policy options.

The paper shows that most of the bilateral and regional FTA approaches generate benefits in terms of welfare, trade and employment. According to the performed simulation Bangladesh may achieve more from regional FTA approaches rather than bilateral FTA approaches. Considering the present situation and analysis of this paper, perhaps it is more viable for Bangladesh to engage in regional FTAs first to get the benefits of trade liberalisation. But in regional FTA, sometimes big economies may not offer handsome concession due to distinct interest with an

individual country and they offer large concession in bilateral FTA. So, if this type of additional benefit is achieved, then regional and bilateral FTAs need to go together to get maximum benefits. In case of bilateral FTAs being an LDC it can get extra benefits from developing countries within the region beyond the benefits from regional FTAs. Whether this type of additional benefits can be achievable or not would mainly depend on geo-political situation between the two countries. Since geopolitically Bangladesh is in no disadvantageous position in the region it can achieve more through bilateral negotiations. In this respect a combination of bilateral and regional FTA may be the optimal policy options for Bangladesh.

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**Appendix Tables**

**Table A.1: Regional and Commodity Aggregation**

Regional Aggregation		
No.	New regions	Comprising old regions
1	Bangladesh	Bangladesh.
2	India	India.
3	Sri Lanka	Sri Lanka.
4	Rest of S. Asia	Rest of South Asia.
5	Thailand	Thailand.
6	USA	United States.
7	Canada	Canada.
8	EU	Austria; Belgium; Denmark; Finland; France; Germany; United Kingdom; Greece; Ireland; Italy; Luxembourg; Netherlands; Portugal; Spain; Sweden.
9	ROW	All Other Countries of the World
Commodity Aggregation		
No.	New sectors	Comprising old sectors
1	AgPrd	Paddy rice; Wheat; Cereal grains nec; Vegetables, fruit, nuts; Oil seeds; Sugar cane, sugar beet; Plant-based fibers; Crops nec.
2	Rice	Processed rice.
3	Sgr	Sugar.
4	Fsh	Fishing.
5	OFood	Cattle,sheep,goats,horses; Animal products nec; Raw milk; Wool, silk-worm cocoons; Meat: cattle,sheep,goats,horse; Meat products nec; Vegetable oils and fats; Dairy

		products; Food products nec; Beverages and tobacco products.
6	NrExt	Forestry; Coal; Oil; Gas; Minerals nec.
7	Tex	Textiles.
8	Wap	Wearing apparel.
9	Lea	Leather products.
10	OMnfcs	Wood products; Paper products, publishing; Petroleum, coal products; Chemical,rubber,plastic prods; Mineral products nec; Ferrous metals; Metals nec; Metal products; Motor vehicles and parts; Transport equipment nec; Electronic equipment; Machinery and equipment nec; Manufactures nec.
11	Svces	Electricity; Gas manufacture, distribution; Water; Construction; Trade; Transport nec; Sea transport; Air transport; Communication; Financial services nec; Insurance; Business services nec; Recreation and other services; PubAdmin/Defence/Health/Educat; Dwellings.

*Md. Shahidul Haque*

**INTERNATIONAL MIGRATION AND HUMAN SECURITY: EXPLORING THE NEXUS**

**Abstract**

Migration has been shaping human civilization since the beginning of time though it is only recently that migration has appeared as a major issue in the development agenda. Migration in all its forms is often intricately linked with other phenomena including the emerging issue of human security. The linkage between the two phenomena is complex and historically rooted. While migration impacts on security both positively and negatively, it is also true that security is a major factor affecting the migration dynamics of the world. This paper attempts to look at this complex relationship exploring how migration is both enhancing human security and also threatening it some times. Migration has also been looked at in the context of terrorism and national security. Finally, the paper concludes highlighting the notion that the complexities of the migration-human security nexus only reconfirms the need to manage migration in a balanced and programmatic approach.

**Introduction**

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The nexus between migration and security is historically rooted and complex in nature. There is a strong causal relation between the two phenomena. Human security is both a cause and a consequence of population movement, regular or irregular. Since the dawn of civilization, people have been migrating across geographical or state frontiers in search of livelihood, safety and security. Before settling down, people had been practicing a nomadic way of life for ages. Though most of the people subsequently adopted a sedentary lifestyle, people still continue to be mobile as an option for maintaining and sustaining a balanced life. Along with military threats, non-military security threats remain a major factor shaping the migratory behavior of people. People move because of some threats to their security or to improve their security. In doing so, they are often seen as a threat to the security of the destination country, especially if the movement is large<sup>1</sup> and not managed. The processes have influenced evolution of states, societies, economics and institutions. In fact, the pursuit of human security and consequent human mobility has guided the nature of the production systems and the development process, which, in turn, have shaped global labour market and labour migration.<sup>14</sup>

The rapid changes in the mode of communications and transportation combined with forces of globalization play an important role in providing people with means to maintain and sustain life. In the process, migration not only provides livelihood

<sup>1</sup> David T. Graham, “The people paradox: Human movements and human security in a globalized world” in David T. Graham, & Nana K. Poku, edited *Migration, Globalisation and Human Security*, London: Routledge, 2000

<sup>14</sup> M. Allam, Findlay, “International Migration and Globalization: An Investigation of Migration Systems in Pacific Asia with Particular Reference to Hong Kong ” in M. A. B., Siddique, ed.. *International Migration into the 21st Century: Essays in Honour of Reginald Appleyard*. 2001

strategy to the people in peace time, but also in conflict and post-conflict situations. Migration helps people gather resources and accumulate wealth in conflict situations by moving out of their regular place of habitat to address security challenges. On the other hand, a large number of people voluntarily or under compulsion are forced to migrate to secure life and livelihood. There are numerous factors behind forced movement such as persecution, human rights violation, repression, conflict, military aggression, natural and human made disasters. The reasons behind population movement, whether forced or involuntary, are primarily related to absence or lack of human security. Similarly, a large flow of refugees or migrants can challenge human security by disrupting economy and creating political unrest in the place of destination. In addition, irregular migration adds to the insecurities, both at state and individual level.

This paper looks at the process and the outcome of migration from a human security perspective. It will also conceptualize the interface between the various types of international migration and human security. The paper explores the potentials of orderly and humane migration as a means for ensuring human security.

### Defining Migration

**International Migration** is the movement of persons who leave their country of origin or the country of habitual residence, to establish themselves either permanently or temporarily in another country.<sup>15</sup> International migrants do not include tourists, business travelers, religious pilgrims and persons seeking medical treatment and visitors. The term “migration” as a broad descriptive process of the movement of people, includes movement of refugees, displaced

persons, uprooted people, trafficking in persons as well as labour and economic migrant. On the other hand, the term “migrant” should be understood as covering all cases where the decision to migrate is taken freely by the individual concerned, for reason of “personal convenience” and without intervention of an external compelling factor.<sup>16</sup> The definition does not refer to refugees, exiles or people who leave their homes under compulsion. There are numerous causes of international migration such as poverty, lack of employment and livelihood opportunity, economic instability, environmental degradation, armed conflict and natural disasters. The rapid movements of capital, goods and services accompanied by unprecedented growth in communication and transportation technologies across the world have accelerated movement across borders, especially temporary migration. Economic disparities as well as demographic changes have also been powerful push and pull factors affecting the movement of people.

**Forced Migration** is a process in which people in large numbers move out of their home in situations of conflict. They flee or are obliged to leave their home or places of habitual residence out of fear of persecution or events threatening to their lives or safety.<sup>17</sup> Terms such as “forced migration” and “involuntary movements” are used interchangeably with forced population movement. There are numerous reasons behind forced movement such as persecution, human rights violations, repression, conflict, military aggression, natural and man-made disasters. Those forced to leave their home, either cross international borders in search of refuge or move to another place within the state-borders. The first group is known as refugees, whereas the second group is termed as “internally

<sup>15</sup> . IOM, *Glossary of Migration*, Geneva, 2004

<sup>16</sup> IOM, *Overview of International Migration*, Migration Management Training Program, April 1997.

<sup>17</sup> Susan F. Martin, “Forced Migration and the evolving humanitarian regime”, *UNHCR Working Paper No. 20*, Geneva, July 2000.

displaced people” (IDPs). An alarming aspect of the forced movement today is that the refugees and IDPs often join a larger stream of migrants, who leave home in search of economic opportunities abroad. The forced migrants increasingly use the irregular migration channels for leaving their home countries and eventually get into a “harm” and exploitative situation.

Refugees are a subset of forced migrants who have a special status in international law. Refugees are persons who are forcibly displaced due to direct threats of danger to their lives (“well founded fear of persecution”). The tangibility of the threat is such that persons feel the necessity to flee their country and being outside such country, is unable or unwilling to return or avail oneself of its protection.<sup>18</sup> Although the notion of “IDPs” is now widely used by humanitarian agencies, there seems to be no general acceptance of its precise meaning. According to the UN Guidelines, IDPs are often defined as persons or groups of persons who have been forced or obliged to flee or to leave their homes or places of habitual residence, in particular as a result of or in order to avoid the effects of armed conflict, situations of generalized violence, violations of human rights or natural or human-made disasters, and who have not crossed an internationally recognized state border. This definition is the broadest one in use at the international or regional level.

*Irregular migration* has not been defined in a clear or universally accepted manner. It is generally understood as a movement that takes place outside the regulatory norms of the sending, transit and receiving countries.<sup>19</sup> Irregular migration is often broken down in two broad categories, trafficking in persons and

smuggling of migrants.<sup>20</sup> Trafficking in persons, as a subset of irregular migration, is the “dark-side” of migration which places people in a “harm” situation. It is the movement (either internally or internationally) of a person under a situation of deceit, force, threat, debt bondage etc. involving exploitation and violation of human rights of the person. Trafficking in persons could include smuggling<sup>21</sup> plus abusive exploitation and human rights violations. Studies suggest that a person by placing himself/herself in the hands of traffickers loses control of his/her fate and freedom<sup>22</sup> and ends up in a “harm”<sup>23</sup> situation.

*Migration-Trafficking-Smuggling Interfaces:* It is often difficult to differentiate between regular migration and irregular migration as the demarcation between the two phenomena is not often obvious. It is a question of perception. An attempt to draw a clear line between the two concepts is described as working in a

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<sup>18</sup> UNHCR, Convention relating to the Status of Refugee of 1951 (Article 1.2).

<sup>19</sup> For a conceptual discussion, see IOM, *Glossary on Migration*, Geneva 2004

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<sup>20</sup> There is no clear or universally accepted definition of irregular migration. While the concept often includes illegal entry, stay or work in a country, this paper focuses on the forms of irregular migration that impacts most directly on reducing human security.

<sup>21</sup> Smuggling is a situation when a person places himself/herself to facilitate his/her border crossing in an irregular manner in exchange of financial or other material benefits.

<sup>22</sup> IOM, *Migrant Trafficking and Human Smuggling in Europe: A review of the evidence with case studies from Hungary, Poland and Ukraine*, Geneva, 2000.

<sup>23</sup> “Harm” is the undesirable outcome that places a person in a situation whereby, the person finds him/herself in an exploitative and dehumanizing condition. Often beaten up, sexually and psychologically abused, made to work long hours without any remuneration. Freedom of mobility and choice are non-existent. The ‘harm’ results from a situation of forced labour, servitude and slavery-like practices in which a person is trapped/held in place through force, manipulation or coercion for a given period of time.

“terminological minefield”.<sup>24</sup> Any generalization in identifying the difference between the two concepts can be misleading because both the concepts are overlapping, contextual and time bound. In simple terms, the difference could be as follows:

- A trafficked person is deceived or forced (actual or threat) to move. Whereas, a migrant (even domestic worker) is not usually deceived or forced to leave his/her place of residence. But, sometimes, it could be difficult to draw a line between the two concepts as there are gray areas in between, blurring the clear distinction.
- Trafficking is a development-retarding phenomenon, whereas migration is an integral component of economic and social development.
- Trafficking is viewed as an anti-social and morally degrading heinous event. But, migration is widely considered as a process that enhances social progress in both the origin and destination countries and it could be an empowering process. Exploitation, profit and illegality are all central to the idea of trafficking in persons.<sup>25</sup> That is certainly not the case in the migration process.

In order to better understand migration-trafficking nexus, we need to address the linkages between the concepts of trafficking and smuggling.<sup>26</sup> The Palermo Protocol clearly draws a distinction

between trafficking and smuggling.<sup>27</sup> Trafficking occurs when a migrant is illicitly engaged (recruited, kidnapped, sold, etc.) and/or moved, either within national or across international borders. The intermediaries (traffickers) during any part of this process obtain economic or other profit by means of deception, coercion and/or other forms of exploitation, under conditions that violate the fundamental human rights of migrants<sup>28</sup>. On the other hand, smuggling occurs when there is only facilitation of illegal border crossing<sup>29</sup>. The differences between smuggling and trafficking could be as follows:

- Normally, smuggled migrants are aware of the conditions of the travel and voluntarily engage themselves in the process of illegal border crossing. Victims of trafficking are seldom aware of the entire process. Even if they submit themselves freely to the trafficker, they cannot consent to the human rights violations they will be subjected to.

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<sup>24</sup> Ronald, Skeldon, “Trafficking: A perspective from Asia” in Reginald Appleyard and John Salt edited, *Perspectives on Trafficking of Migrants*, 2000, IOM, Geneva.

<sup>25</sup> *Ibid*

<sup>26</sup> John Salt, “Trafficking and Human Smuggling: A European Perspective” in Reginald Appleyard and John Salt (eds.), *Perspective on Trafficking of Migrants*, 2000, IOM, Geneva.

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<sup>27</sup> According to the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children (popularly known as Palermo Protocol), trafficking in persons shall mean the recruitment, transportation, transfer, harboring or receipt of persons, either by the threat or use of abduction, force, fraud, deception or coercion, or by the giving or receiving of unlawful payments or benefits to achieve the consent of a person having control over another person, with the aim of submitting them to any form of exploitation. On the other hand, according to the Protocol against the Smuggling of Migrants by Land, Air and Sea (other part of Palermo protocol), “Smuggling of migrants shall mean the procurement of the illegal entry into or illegal residence of a person in (a) (any) State Party of which the person is not a national or a permanent resident in order to obtain directly or indirectly, a financial or other material benefit”.

<sup>28</sup> IOM, “The Concepts of Trafficking in Human Beings and Smuggling of Migrants” a discussion paper, October 2000, Geneva.

<sup>29</sup> *Ibid*

- While smuggling of persons indisputably involves international cross-border movements, trafficking could also occur within national borders, although the vast majority happens across international borders.

Experts opined that clear distinction between regular migration, smuggling and trafficking could be difficult to establish particularly in analyzing causes, process and outcomes in the globalized world. There are often gray areas in between these processes. To avoid confusion, the concept of “regular migration” will be used in this paper as, in general, a positive and development enhancing phenomenon. However, there is no doubt that all these processes influence, positively or negatively, the human security environment. While regular migration enhances human security by providing livelihood options for people, irregular migration (trafficking and smuggling) threaten human security as well as state security<sup>30</sup>. Irregular migration is often likened to organized crime. The threat emanating from irregular migration to challenging state security simultaneously also poses challenges to the human security of the citizens. Sometimes, individual citizens are under more severe security threat than the state entity. Therefore, states have to provide protection to both the victims of smuggling and trafficking in persons in terms of return and reintegration, medical, psychological, counseling and legal support.

**Diaspora:** The approximately 2500 year old concept of “diaspora” in the present context is used to describe a group of people who have “deterritorialized” and/or “transnationalized” themselves. As an evolving concept, present day diaspora connotes a group of people who have left their homeland due to traumatic events and/or in search of livelihoods and are living in the host

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<sup>30</sup> Security has been used in its broadest possible term including both military and non-military dimensions.

country permanently but hold a collective memory about the homeland as well as maintain some kind of relations with the homeland. Over centuries, the diaspora concept has evolved and undergone many changes. It has now acquired metaphoric implications and used for people outside their homeland who feel, maintain, invent or revive connections with their prior homeland. Critical components are a history of dispersal, myths/memories of the homeland and a collective identity defined by the above relationship. In general, diaspora means communities of migrants sealed permanently in countries other than their birth but aware of their country of origin and identify with that country. They continue to maintain varying degrees of linkages with their home countries.

### Defining Human Security

Human security is a contested and evolving concept. The emergence of the territorial state in Europe and later during the Cold War era encouraged the growth of the doctrine of state-centered security.<sup>31</sup> Subsequently, at the end of Cold War, the concept was broadened by including non-military issues such as economic growth, societal cohesion, environment and human rights. The human security is a multi-dimensional, inclusive and people-centered concept. It attempts to protect individuals and their communities through joint efforts and cooperation<sup>32</sup>. One of the leading proponents of human security concept, Amartya Sen, has promoted a new

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<sup>31</sup> P.R. Chari and Sonika Gupta, (eds.) *Human Security in South Asia: Gender, Energy, Migration and Globalization*, New Delhi, Social Science Press, 2003

<sup>32</sup> Karina Batthyany, “Obstacles to Human Security: Analysis of the 2004 Social Watch National Reports”, *Social Watch Report 2004 “Fear and Want: Obstacles to Human Security”*, Social Watch, Uruguay.

human security perspective which suggested not only economic growth, but also people's choice, freedom and dignity.

During 1990s, the traditional concept of security was radically revisited by introducing the idea of "human security" (as opposed to "national security"). In 1994, UNDP built its Human Development Report focusing the concept of "human security".<sup>33</sup> The report suggests that the core of human security is vulnerability which could be placed in seven categories such as economic, food, health, environmental, personal, community and political.<sup>34</sup> The conceptualization was a transition from the narrow state-centric militaristic concept of national security to the comprehensive individual-centered human security. In Kofi Annan's view, human security "..... in its broadest sense, embraces far more than the absence of violent conflict. It encompasses human rights, good governance, access to education and healthcare and ensuring to fulfill his or her potential ..... Freedom from want, freedom from fear and freedom of future generations to inherit a healthy natural environment – these are interrelated building blocks of human and therefore national security".<sup>35</sup>

According to the Commission on Human Security, human security could be defined as "to protect the vital core of all human lives in ways that enhance human freedoms and human fulfillment. Human security means protecting fundamental freedoms – freedoms that are the essence of life. It means protecting people from critical and pervasive threats and situations. It means using processes that build on people's strengths and aspiration. It seems enacting

<sup>33</sup> UNDP, *New Dimensions of Human Security*, New York, Oxford University Press, 1994.

<sup>34</sup> For detailed discussion, see *Human Development Report 1994, op.cit.*

<sup>35</sup> Kofi Annan, "Secretary General Salutes International Workshop on Human Security in Mongolia", Ulaanbaatar, 8 – 10 May 2000. Press Release SG/SM/7382 [www.un.org/News/Press/docs/2000](http://www.un.org/News/Press/docs/2000).

political, social, environmental, economic, military and cultural systems that together give people the building blocks of survival, livelihood and dignity.<sup>36</sup> The *Social Watch Report 2004* highlights three broad obstacles<sup>37</sup> to human security, those are, firstly, threats to the security of individuals and communities, in particular to the most vulnerable sector of society, secondly, conflicts, threats and different kinds of violence and thirdly, poverty and economic exclusion.

### Migration and Human Security Nexus

Migration and Human Security phenomena are multi-dimensional and organic in nature. Neither migration is nearly a movement of people from one place to another, nor is human security a simple endeavor to ensure welfare of the people. Both the phenomena are outcome of complex socio-economic and political undertakings. Human security is as much an issue for migrants choosing to migrate as it is for those forced to migrate. But, migration is primarily a process which enhances human security in multiple ways. Migration has economic, cultural, and social values which add to the ensuing well-being of people. The interfaces between migration and human security are somewhat ambiguous, less explored and understood. The causal relationship between migration and human security is not very clear. However, linkages could be identified primarily in three ways:

First: migration ensures human security by providing livelihood options including for the poorer sections of people. By enhancing other developmental impacts, in countries of

<sup>36</sup> Human Security Commission, "Final Report" at [www.humansecurity-chs.org/finalreport/](http://www.humansecurity-chs.org/finalreport/).

<sup>37</sup> Ibid

origin, strong diaspora linkages also enhances the non-economic aspect of human security. Migration holds potential for community development and can contribute to poverty reduction, if managed properly.

Second: international migration can adversely influence the development of migrant origin countries through loss of human resources and various challenges to human security encountered by migrants in the process of migration. The loss in human resources is often offset by the gains made through circulation of human resources.

Third: lack of human security is a root cause of migration, both regular and irregular but especially forced migration. Inadequate human security often compels people and acts as a “push-factor” in the migratory process.

The nexus could be better understood by examining the extent to which human security is enhanced or influenced by the various types of migration. The analysis should equally focus on the process of migration i.e. causes, motivations, vulnerabilities and the outcome of the mobility, consequences i.e. benefits and harm.

### **Migration as a Mechanism for Enhancing Human Security**

Despite the fact that, the history of migration is an account of society’s attempt to survive prosper and escape insecurity,<sup>38</sup> less attention has been given to explore the linkages between migration and human security. Works on migration have focused on

underdevelopment as a cause of migration rather on the positive impact of migration on the development of individuals and societies.

In the 21<sup>st</sup> century, changes in the geo-political as well as geo-economic landscapes and emergence of the “knowledge-economy” are fundamentally changing the migration and globalization processes leading to emergence of new development thinking and strategies. The profound changes in scope, nature and structure of global finance, trade and commerce in the WTO-centric trading regime are influencing both migration and human security discourse adding further dynamism to the process of evolution of the civilization. The relationship between globally mobile capital and territorially tied labour is adding complexities to the process of ensuring human security. It is now acknowledged that, despite generating huge global wealth, the existing trade regime has failed to benefit the poorer section primarily because of the inherent “limitations” of the global trade system. It is accentuating the inequalities both within and among countries. Trade specialists are struggling to find ways to bring down the widening inequalities and disparities. It is now suggested that international mobility of labours, if managed properly, could perhaps help reducing poverty and inequality. The global output may increase if people are free to move across the globe, particularly from areas of lower labor productivity to areas of higher productivity. According to Noble Laureate Professor Amartya Sen, trade along with migration can help to break the dominance of rampant poverty.<sup>39</sup> A recent Commonwealth study suggests that if quotas were fixed within the WTO member countries by an amount equal to 3% of developed countries’ labour forces, there would be an increase in world welfare of US\$156 billion per

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<sup>38</sup> UK House of Commons, “Migration and Development: How to make migration work for poverty reduction”, Sixth Report of Session 2003 – 4, volume 1, UK June 2004.

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<sup>39</sup> Oxfam, *Rigged Rules and Double Standards; trade, globalization and fight against poverty*, Oxfam International, 2002.

year.<sup>40</sup> Similarly, the World Institute for Development Economies Research (WIDER) study findings indicate that the elimination of global restrictions to labour mobility generates worldwide efficiency gains that could be of considerable magnitude, ranging from 15% to 67% of world GDP. But, when only skilled labour is allowed to migrate, welfare gains are much smaller from 3% to 11% of world GDP. In the recent World Bank publication, it is also suggested that migration has led to the reduction of poverty in many countries including Bangladesh.<sup>41</sup> Despite the evidences of substantive contribution of migration in the development of both origin and destination countries, conceptual clarity regarding dynamics of the process and the roles of actors of migration are limited. The understanding of migration as an integral component of economic development or migration as a livelihood option for poor people are least explored. Though migration is not a substitute for development, properly managed migration can deliver benefits in terms of development and poverty reduction and contribute to enhancing the human security. Migration can reduce the uncertainty of family income, provide resources for investment and enhance livelihood opportunities. The impact of migration would largely depend on socio-economic conditions in the origin and destination countries. The impacts of migration or of human security could be better understood by exploring relations between various aspects/outcomes of migration in the context of development.

*Financial remittance:* One of the most direct impacts of migration and link to development is through remittances. In 2005, global remittance flows reached 232 billion US dollars from which the amount flowing from developed to developing countries

exceeded 167 billion US dollars<sup>42</sup>. The volume of this flow indicates the potentially important role that remittance could have on the economy and society of the receiving countries. There are two extreme views on the beneficial impacts of remittances on the development process.<sup>43</sup> First, (*“developmentalist” perspective.*) It argues that provided there is an enabling environment promoted by states, remittances have the potential to set in motion a development process in the migrant’s origin countries. It can help removing production and investment constraints and can raise income level. Remittances have also positive impacts on the balance of payments of countries of origin as they help to narrow the trade gap, control external debt, facilitate debt servicing and produce much needed foreign exchange. Second, (*“migrant syndrome” perspective.*) It argues that migration drains countries of origin of their labour and capital by crowding out local production of tradable goods. It suggests that remittances are not put to productive use but mostly wasted for unproductive purposes such as housing, land purchase, transport etc. Remittances can cause inflation as they create a demand without concomitant production capacity.

There is, however, a general understanding among the experts and policy makers that remittances have far greater positive impact on communities in the developing countries than previously acknowledged.<sup>44</sup> The multiplier effect of remittance can be substantial, with each dollar producing additional dollars in

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<sup>42</sup> *Ibid*

<sup>43</sup> Edward Taylor, “The new economics of labour migration and the role of remittances in the migration process”, paper presented at the Technical Symposium on International Migration and Development held in the Hague, Netherlands, 29 June – 3 July 1998.

<sup>44</sup> F. Susan Martin, “Remittances as a development tool”, paper presented at a conference organized by the Inter-American Development Bank, 2001.

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<sup>40</sup> For details, see, L. Alan Winters *et.al.*, *Negotiating the Liberalization of the Temporary Movement of Natural Persons*, Commonwealth, March 2002.

<sup>41</sup> *Global Economic Perspective 2006*, World Bank

economic growth for the business that produces and supply the products bought with these resources. Remittances can promote development if an enabling economic environment for use of remittances, institutional arrangements for money transfer and availability of investment and business opportunities in the origin countries exist. It has further been revealed that migrants, especially the permanent emigrants, sometimes use their earning to finance social and economic development projects in their home country.

Remittance directly or indirectly impacts on poverty, livelihoods and development of countries of origin. This impact is at individual/household levels, community levels, national levels and also at the international levels. At the household level, the majority of remittances are spent on consumption. However, significant portions are spent on health, education, nutrition and other investments important for human development including economic growth. At the community level, remittance has the potential to set in motion economic benefits which includes improved local physical infrastructure, growth of markets and services and above all, generate local employment opportunities. Remittance impacts on poverty alleviation not only by providing financial resources but also supporting private sector initiatives. It is important to remember, remittance alone cannot impact on the overall economy but if managed and harnessed, the interplay of remittances with other social and economic factors could set in motion development and economic growth that contribute to financial and economic solvency and sustainability. Remittances also have the potential to reduce inequality among counties. The impact of this equalization on migration patterns is still debated but the impact on human security is easy to comprehend. Countries are now focusing on how to enhance the benefits of remittances to further reduce the inequalities and for the overall improvement of the quality of life.

***Diaspora as Development Agent:*** Diaspora, like temporary migrants, has been contributing to development of the home country by sending remittances, managing FDI and business in their home countries. Research findings suggest that diaspora, particularly, the highly skilled diaspora, may help overcoming barriers to trade in a world where reliable information is scarce.<sup>45</sup> Diaspora can provide information that could influence trade, investment and technology transfer. Moreover, diaspora through their networks can help the trade and developments in the origin countries significantly. Many diaspora members are working in skill sectors that are of critical importance to their home countries. Many accumulate knowledge to establish and manage their own enterprises and are conversant with the general situation and business cultures of both their home and host countries. Therefore, they are, for instance, able to contribute to private sector development in their home countries by establishing businesses, or by leading training courses in the country of origin. Their contacts with potential business partners in destination countries can facilitate the establishment of trade and production links and promote the market access of export goods from developing countries. Diaspora communities can also influence economic and political process of the host countries in favour of their home countries.

In addition to financial remittances, diasporas bring back, on return, knowledge and skills acquired while abroad which could be help supporting societies and economics of origin countries. They can contribute to the democratic process and effective governance by supporting programmes and networks. They can also add substantially to the developments of business and enterprises particularly by linking destination and origin countries. The process of international migration has also widespread social ramifications

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<sup>45</sup> *Ibid.*

within the countries of origin<sup>46</sup>. Diasporas can also influence positively in the evolution of family, community, social norms, traditions and religious practices.

Diasporas offer many opportunities for enhanced security by providing bridges between cultures and politics which facilitate cultural, political and economic exchanges and understanding. Many diaspora groups play an important role in the democratization and development of their homelands, process which have tangible consequences in terms of national, regional and global security.<sup>47</sup> On the other hand, diaspora can also pose a threat to homeland regimes and attempts to destabilize them where the homeland regime fails to sustain friendly relations with its diaspora or becomes engaged in active confrontation with it, this may pose serious implication for its own security.<sup>48</sup> Governments of the origin countries have a crucial role in channeling diaspora initiatives and resources into the economies and societies which would otherwise remain dispersed. It is necessary to facilitate the diaspora participation linking them with the socio-economic activities of their home countries.

***Returnee Migrants as Development Source:*** Return migration is another important dimension in the migration human security nexus. It may be defined as the process whereby people return to their countries or place of origin after staying a significant period in

another country or region.<sup>49</sup> The return could be permanent, temporary or virtual. All kinds of return migration can contribute to enhancing human security. The voluntary return of migrants with financial or other types of capitals can benefit the countries of origin in various ways. The contribution of return migration on the development process depends on the aptitude and degree of preparation of the returning migrants, and the existing socio-economic and institutional conditions in the home country. They can act as change agents, economically, technologically and socially. The development implications of return migration can be analyzed in terms of capital formation – financial, human and social. *First, financial capital.* Apart from sending remittances, migrants also save some money while abroad, which they bring with them on return. The impact of financial capital also raised controversies similar to that surrounding remittance. However, it is widely recognized that financial capital can have multiplier effect on the development process. *Second, human capital:* It is defined as the knowledge, skills, competencies and attributes combined in individuals that facilitate the creation of personal, social and economic well-being. The migrants while living and working abroad gain considerable work experiences and skills. These new skills and ideas can have positive impact upon their return in the home country. In some cases, return migrants have set up businesses utilizing their newly acquired skilled which had triggered technical changes in the society. The return migrants can act as positive change agents in the economies and societies, provided there is a conducive environment. *Third, social capital.* It resides in social relationships rather than in individuals. It can be defined as trust, norms and networks that

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<sup>46</sup> Robert E. B. Lucas, “International Migration regimes and economic development”, paper submitted for the Third Coordination meeting on International Migration, Population Division, UN, New York, 27–28 October 2004

<sup>47</sup> Richard Davis, “Neither here nor there? The implications of global diasporas for (inter)national security” in David T. Graham and Nana K. Poku (eds.), *Migration, Globalization and Human Security*, London, 2000.

<sup>48</sup> *Ibid.*

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<sup>49</sup> Russel King, “Generalizations from the History of Return Migration” in Bimal Ghosh (ed.) *Return Migration: Journey of Hope or Despair?* IOM, 2000.

facilitate social coordination and cooperation for mutual benefit.<sup>50</sup> Through tapping into networks of migrant communities with more or less institutionalized relationships of mutual acquaintance and recognition, migrants can derive benefits from this form of social capital for both sending and receiving countries. The return of migrants, therefore, has a greater likelihood of positively influencing the human security situation as well as the development process in the home country.

**Regular Migration as Social Protection:** Protection is fundamental to human security. The first key to human security is to provide protection to people.<sup>51</sup> It is often an emergency response by people faced with survival challenges as well as response by people attempting to cope with vulnerabilities. The interface between migration and social protection could be identified in two ways, first, migration as a social protection strategy and second, ensuring social protection for migrants who are in “harm”/ exploitative situation. Resources generated through migration of a family member supports meeting the basic needs of other family members and also helps building asset base by investments in education, health, housing etc. Ability to spend, more resources on health and education results in improved human resources of the family. In turn, this assets and better human resources base reduce vulnerability of the family members especially women and children.

Nevertheless, during the process of migration, migrants often encounter conditions that reduce their human security. By often working and living under harsh conditions with limited access to health and other social services as well as being separated from family members and their regular support groups, migrants become

more vulnerable to a number of ills. In view of this, they are in need of special social protection measures.

For countries where migration forms a key economic sector, social protection for this group would make them more competitive in terms of production and on the labour market. As labour migrants often engage in circular migration with upgraded skills on each return, it is important to cater for the needs of those engaged in migration as it will further their efficiency and competitiveness. In addition, by providing social protection to migrants, their chances for successful integration is enhanced upon return, which ultimately contributes to the development of the national economy.

**Migration Empowers Women:** “Feminization” of migration is the most noteworthy trend in recent times. Today, women account for about half of the migrant population. For several countries of origin, they already constitute the majority. The most significant aspect of migration of women is that women migrate as independent workers and their roles now extend well beyond that of the spouse joining the husband in the destination countries. It is recognized that international migration is positively associated with the lifting of the status of women.

First, opportunities for women to go abroad for employment enhance their empowerment. Second, the gender relations also undergo changes in families where male family members migrate abroad. These changes are facilitated by much greater access to information by female members through television and contacts with the outside world. The empowerment in both of these cases, draws from changes of role of women in areas such as household decision making, division of labour, gender roles and community perception. In addition, empowered migrant women can develop their potentials which could lead to new opportunities for work. They are also better placed to demand respect for their dignity from others. As such, the

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<sup>50</sup> Robert D. Putnam, *Making Democracy Work: Civic Traditions in Modern Italy*, Princeton: Princeton University Press, 1993, p. 167.

<sup>51</sup> Human Security Report, *op.cit.*

empowering effect transcends the issue of “success” or “failure” of migration as measured by the economic and social indicators. It has a direct impact on human security and is mutually reinforcing by providing women with agency to act and decide for their wellbeing. Migration can also extend women’s decision making power to spheres that were traditionally in men’s domain such as the decisions regarding housing investment and the disciplining of children. Importantly, female heads of families tend to place priority on children’s education including education for girls. The changes in the family and social norms brought about by the female migrants are significant and beneficial for the society.

### Irregular Migration Threatens Human Security

Irregular migration taking place outside the regulatory norms of countries forces people into a “harm” or exploitative situations. It is a criminal activity in which perpetrators seek out the weakest and most vulnerable members of a society in order to exploit them for profits.<sup>52</sup> Irregular or involuntary migration is increasingly perceived as a security issue. The involuntary migration has often been considered as more of a security issue, as a by-product of the securitization of environmental, economic and societal concerns, rather than as a humanitarian or rights issue.<sup>53</sup> The “securitization of migration”<sup>54</sup> focuses on threats posed by irregular cross border movement of population which have impacts of securities of origin, transit and destination countries. Trafficking in human beings as a subset of irregular migration challenges human security by violating

human rights of individuals and putting them in an exploitative situation. There are two primary causes behind trafficking, first, poverty and lack of livelihood options i.e. insecurity; and second, discrimination against women and children. Both these causes represent a human security deficiency. The lack of livelihood options, particularly for women and children in origin countries, constitute major threat to human security which force people to choose irregular means of migration. Similarly, gender inequalities, domestic violence, marginalization and powerlessness also erode human security and force people, particularly women and children, to migrate in unsafe and unsecured circumstances. Apart from economic and gender vulnerabilities, civil war and political unrest, social and cultural vulnerabilities also often compel people to take irregular means to migrate.

On the other hand, counter-trafficking interventions often lack a rights based approach or adequate consideration of human security perspectives.<sup>55</sup> A human security approach to addressing trafficking in persons is essentially development centered and gender sensitive. It recognizes discrimination as a denial of human rights. It presupposes that human rights should be at the core of all counter trafficking initiatives. It also recognizes that the counter trafficking initiatives should be aimed at an environment so that the survivors can integrate into the society.

There are efforts both international and national to protect the trafficking survivors through legal instruments. Some states have adopted legislations to extend special protection to the trafficking survivors including providing visa to remain in the country. Even

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<sup>52</sup> Michele Anne Clark, “Trafficking in Persons: An Issue of Human Security”, paper presented to the Global Equity Initiative, October 2002.

<sup>53</sup> Elizabeth Abir, “Migration and security from a North-South perspective” in David T Graham and Nana K. Poku (eds), *op.cit.*

<sup>54</sup> *Ibid.*

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<sup>55</sup> For further information, see Jean D’Cunta, “Gender Equality, Human Rights and Trafficking: A Framework of Analysis and Action” a paper presented at the seminar on *Promoting Gender Equality to Combat Trafficking in Women and Children*, Bangkok, October 2002.

granting refugee status to the trafficking survivors is contemplated by some countries. Arguments have been put forward for inclusion of women trafficking survivors in refugee-determination procedures on the grounds of a particular social group and as a victims of gender-based persecution.<sup>56</sup>

### Forced Migration as a Human Security Threat

Forced migration is a subset of migration which has most direct links with human security as by definition, forced migrants are compelled to flee from their home because of events threatening to their lives and safety.<sup>57</sup> In general, human insecurity forces people out of their homes and homelands in search of safe places. On the other hand, human security of refugees could be under threat due to lack of assistance and protection. The issue is much more complex as it demands national security of host country at one level and human security of refugees at another. Perceptions (rightly/wrongly) of threats by the host country could lead to hostility towards refugees. There are five broad categories of situations, in which, forced migrants may be perceived as a threat to the host country.<sup>58</sup>

First: when forced migrants oppose the government of their home country.

Second: when forced migrants are perceived as a political threat or security risk to the government of the host country.  
 Third: when forced migrants are seen as a cultural threat.  
 Fourth: when forced migrants are social or economic problem for the host country.  
 Fifth: when the host country uses forced migrants as an instrument of threat against the home country.

In recent times, the mix of asylum-seekers economic migrants and irregular migrants often create insecurity for both the population. The insecurity emanates from states dilemma to control irregular migration and to ensure protection of forced migrants. Some states attach overwhelming priority on controlling irregular migration comprising with its responsibility to protect forced migrants and other migrants in need of protection.

### Migration in the Context of Terrorism and National Security

International migration, is an inter-state phenomenon, beyond the capacity and reach of any individual country to independently manage. Migration, refugee issues and internal displacement are no longer considered as simple humanitarian subjects that can be solved by humanitarian action alone. Migration related security perception differs from country to country depending on the position of the country in the migration spectrum. It is recognized that while regular migration can help forge economic, social and cultural bonds between peoples and countries, irregular migration can cause harm to those relations. The costs of controlling borders, detaining and returning irregular migrants can be very high and it can place intolerable burdens on both the destination and origin countries.

The September 11 terrorist attack on America has added a new dimension to this debate. Prior to this, the discussion on migration focused on prevention of irregular migration and meeting labour

<sup>56</sup> Jenna Shearer Demir, "Trafficking of Women for Sexual Exploitation: A Gender-based Well Founded Fear?: An examination of refugee status determination for trafficked prostituted women for CEE/CIS countries to Western Europe", a paper submitted to the University of Pavia, January 2003.

<sup>57</sup> Susan F. Martin, "Forced Migration and the evolving humanitarian regime", working paper No. 20, UNHCR, July 2000.

<sup>58</sup> For detail discussion, Myron Weiner, *The Global Migration Crisis: Challenges to States and to Human Rights*, Chapter 6, Harper Collins College Publishers, 1995.

market needs with migrant labour. “Whereas in post-11 September, the focus is on security and combating terrorism in relation to migration. Because of its cross-border dimensions, international terrorism is a migration issue”<sup>59</sup>. It overlaps on a range of matters directly affecting migration process and national security.

There is growing concern that legitimate security threats must not turn into excuses for xenophobic actions against migrants. In the wake of 11 September 2001, the issue has drawn greater attention of migration channels. In this context, UNHCR has stated that governments may automatically or improperly apply exclusion clauses (Article I (F) of the 1951 Refugee Convention) or their criteria to individual asylum seekers based on the assumption that they may be terrorists because of their religion, ethnicity, nationality or political affiliation.<sup>60</sup> UNHCR has voiced its concerns on the tendency to link asylum-seekers and refugees to crime and terrorism as such unwarranted links incite racism and xenophobia provoking serious protection worries<sup>61</sup>. Analyzing the links between migration and terrorism, IOM stated that state initiatives to combat terrorism should ensure that the minority phenomena of criminality or terrorism in the migration context do not compromise the integrity of regular migration or the right of persons to be mobile.<sup>62</sup>

While states have an obligation to protect and promote respect of human rights and fair treatment of migrants, their primary concern remains to ensure security, social stability, economic opportunity and general welfare of their citizens. Nevertheless, in a world, increasingly based on democratic principles, free market systems and

rule of law, states may not unduly restrict cross-border movement of people. Hence, protecting the human security of individuals, presents national security thinking with the challenge of a new strategy to facilitate regular migration and prevent irregular migration.

In this respect, restricting the movement of people in response to national security threats, risk further reducing human security for would-be regular migrants by preventing them from departing or opting for irregular channels. Hence, a strategy for addressing migration in the context of threats to national security should rather focus on the need to address the root cause of lack of human security in the origin countries as well as the perceived role of the developed world as upholding the conditions that cause human insecurity in these countries.

## Conclusion

To ensure human security, regular migration flows should be manageable both in numbers and as a process. In order to reduce push factors of migration and thereby the total number of migrants, human security should be promoted in the country of origin. This would necessitate supportive state policies in terms of promoting development which could create jobs as well as other important aspects of human security by providing access to healthcare and education in addition to freedom from oppression. Furthermore, active policies need to be adopted to promote the flow and effective utilization of remittances as well as skills utilization by returnee migrants. In addition to this, national policies aimed at promoting the human security of migrants need to be in place, for origin countries and destination countries alike. National prioritization in this field is of particular importance for countries where migration forms an important part of the national development. In these circumstances,

<sup>59</sup> IOM, *International Terrorism and Migration*, March 2002

<sup>60</sup> UNHCR Press Release of 23 October 2001, “Ten Refugee Protection Concerns in the Aftermath of September 11”.

<sup>61</sup> IMP, “Migration and Human Security” a paper submitted at the Consultation on International Migration, Berlin, 21 – 22 October 2002.

<sup>62</sup> IOM, *International Terrorism*, *op.cit.*

whether receiving or origin country, the promotion of human security of migrant workers will strengthen the human security at large and promote the wider social and economic development.

Given that migration within manageable numbers is a desirable phenomena for generating human security as well as wider development, this flow should be managed within a framework of guiding principles. This would require not only the implementing migration policies, but also reorientation of basic strategies and rationale for population movement based on the common understandings and practices for a planned, balanced and comprehensive approach.<sup>63</sup>

Acknowledging also that international migration, forced or voluntary, will continue to play a dominant role in the era of heightened concern for state-centric counter terrorism efforts, the absence of a global system or regime for security of mobile populations, forced migrants and irregular migrants in particular, will pose a great challenge for the international community. This challenge may further be compounded by the inadequate capacity of states to address the critical issue and the absence of a global regime. In response to this, the Commission on Human Security has suggested multilateral approaches as essential for promoting orderly and predictable movement of people.<sup>64</sup>

Exploring such a regime from a human security perspective, necessarily challenges traditional boundaries of “security”,

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<sup>63</sup> The common understanding and practices has been developed through a global consultative process under “Berne Initiative” process. These have been elaborated in the “International Agenda for Migration Management” which is non-binding but a comprehensive system for managing migration through dialogue, cooperation and capacity building at the national regional and global level, for details, see [www.iom.int/berneinitiative](http://www.iom.int/berneinitiative)

<sup>64</sup> Final Report of Human Security Commission, *op .cit.*

“sovereignty” and “immigration” as the gap between priorities, interests and power of states in the migration field are constraining their capacity to establish a mechanism to manage migration. Nevertheless, there is a gradual recognition of the need to establish a new migration regime in parallel to the economic regime. Such a regime would facilitate the process of migration acting as a “developmental force” and a force for softening the impact of adverse consequences of globalization and minimizing the impacts of sources of human insecurity.

In addition to supporting the above mentioned national policies, this would entail active state policies in multi- as well as bi-lateral fora to open up the free movement of regular migration ranging from unskilled to skilled migrants, as well as guaranteeing the rights of migrants by adopting international conventions, such as the 1990 International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families.

In order to realize this, an alternative development paradigm, consistent with global economic and development trends and priorities, needs to evolve. The work towards developing a paradigm could begin by engaging the origin and destination countries into a dialogue at purely functional levels in order to create a platform for building a “global migration management paradigm”. Global initiatives have been taken to bridge the gap in understanding the migration challenges and potentials between the origin and destination countries, for example, Berne Initiative and the UN initiated Global Commission on International Migration. The emerging regime may consider linking migration with human security redefining both the concepts. One of the ways to redefine these concepts is to implement the “International Agenda for Migration Management”.<sup>65</sup> Management of migration may also

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<sup>65</sup> Berne Initiative, *op. cit.*

incorporate the issues addressed in 1990 International Convention on the Protection of the Rights of All Migrants and their Families and other ILO Conventions.<sup>66</sup> At the national level, management of migration depends on good governance and realization of accountability, equality, participation, and empowerment in the migration process. The approach may be based on the following elements.<sup>67</sup>

- Migrants are at the centre of the migration management system.
- Non-discriminating policies and practices of state in managing migration
- Accountability of the State , the private sector and the civil society in ensuing well being and protecting rights of migrants
- Migration as a process of empowerment of migrants
- Special focus on vulnerability and the vulnerable migrant groups especially women.

The human security agenda offers a new perspective including recasting discussions of the motivations underlying global migration, directly challenging the perceived “inevitability” of migration and focusing on the centrality of reducing inequality as a policy prerequisite rather than a delayed outcome of aggregate economic growth<sup>68</sup>. It should help shaping clear and comprehensive policies, laws and administrative arrangements to ensure that population

management occur to the mutual benefit of migrants, societies and governments. The new multilateral management structure should help minimize “cost” of migration and preserve the integrity of migration as a development process.

New ideas such as “circular migration”, “virtual migration” and “temporary labor migration” have to be incorporated in the human security debate. Partnership and cooperation among the origin and destination countries will be essential, for developing a more creative space for movement of people. Human security issues should take a stronger role in shaping migration policies and actions. In the UN MDG programs, initially migration did not feature and the links between MDG goals and migration were not explored. But, increasingly it is recognized that international migration can make a difference in achieving MDG either by creating impediments or if managed well, can positively contributing to their realization .<sup>69</sup>

The International Organization for Migration (IOM) as a globally mandated intergovernmental organization to set and deal with migration and migration related issues can play a leading role in the migration-human security debate and can assist the governments to adopt to the migration realities by adopting appropriate migration management policies and programs. During the past 50 years, IOM has shown its ability to assist governments in the management of complex population flows, both regular and irregular. IOM has been exploring ways and means to ensure that migration remains beneficial to all. Its main objective is to maximize value to migration by facilitating regular migration and reducing irregular migration. It believes that, if migration is managed in a planned manner, the

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<sup>66</sup> Nicola Piper, “ Rights of Foreign Workers and the Policies of Migration in South-East Asia” in *International Migration*, Vol.42(5)2004.

<sup>67</sup> Based on discussion in the “Workshop on Rights Based Approach” held in Stockholm for February 13-14, 2003 organized by Save the Children Sweden.

<sup>68</sup> Robert L Bach, “Global Mobility, Inequality and Society” in *Journal of Human Development*, Vol 4, No 2, July 2003.

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<sup>69</sup> For detailed discussion, see, paper presented at the seminar on “Relevance of Population Aspects for the Achievement of the Millennium Development Goals” particularly, the paper by IOM, New York, 19 December 2004.

benefits will outweigh the costs for individuals as well as countries of origin and destination.<sup>70</sup>

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<sup>70</sup> IOM, “Valuing Migration: Costs, Benefits, Opportunities, and challenges” a document presented at the Council in November 2004 (MC/INF/276)

*Segufta Hossain*  
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## **ASIAN TSUNAMI: ECONOMIC IMPACTS AND THE POLITICS OF HUMANITARIAN AID**

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### **Abstract**

The article studies the economic impacts of the Asian Tsunami focusing mainly on the macroeconomic impacts, and identifies the ramifications of disaster aid diplomacy and politics involving the relief and rehabilitation efforts by various agents. Despite widespread devastation claiming thousands of lives, infrastructural damage and environmental degradation, the macroeconomic impacts of the calamity were less severe than anticipated. On the other hand, it is argued that, other than the humanitarian assistance, the relief and rehabilitation efforts involved intense disaster assistance diplomacy both at the global and regional levels by the sole superpower and other major world powers to express their strength and superiority. Furthermore, the ethnic conflicts in Sri Lanka and the separatist movements in Indonesia complicated the relief and rehabilitation efforts by donors, NGOs and international relief agencies exacerbating the miseries of the affected poor people in the region.

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## **1. Introduction**

On the morning of 26 December 2004, just the day after Christmas, the world had experienced a devastating *Tsunami* that devoured many of the countries around the Indian Ocean. It was, in fact, an under-sea earthquake in the Indian Ocean, the strongest in last 40 years, measuring on the Richter scale 9.0. The earthquake triggered a series of deadly waves, which fanned out across the Indian Ocean. However, this was not a new one in the world history and also in this region. In 1755 there was Tsunami in Lisbon, Portugal that killed nearly 60,000 people, in 1960 there was Chilean Tsunami, and in 1964 Good Friday Tsunami that struck Alaska, British Columbia, California and coastal Pacific Northwest towns in California. Most recently in 1998 in Papua New Guinea Tsunami killed roughly 2200 people. There were also Tsunamis even in South Asia (see Annex -1).

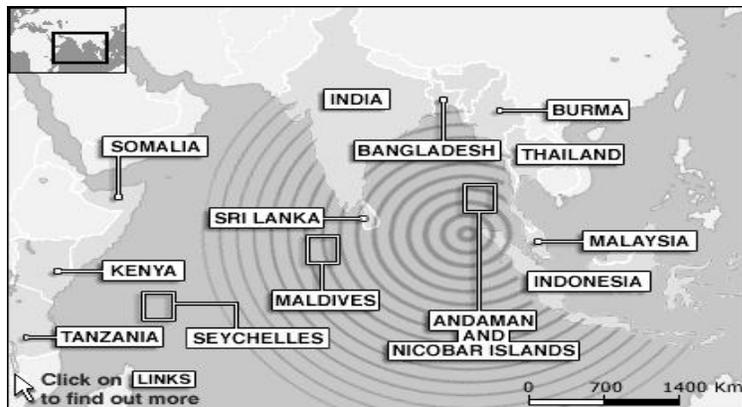
The Asian Tsunami that hit two continents and 12 nations caused severe damage in the affected countries in terms of loss of lives, infrastructural damage, individual family loss, environmental degradation, property damage and affecting fishing, and agriculture industry. The tourism sector was the most affected one since the affected areas of Malaysia, Maldives, Sri Lanka and Thailand were the most attractive tourist spots in the region, and tourism industry in these four countries contributes significantly to their respective GDPs. The death toll and the number of missing people after six months of the Tsunami stand at 232,010 (see Annex-2), according to the collected figures from government and health officials.<sup>71</sup>

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<sup>71</sup> Data available at <http://www.reliefweb.int/rw/rwb.nsf/db900SID/RMOI6DM949?OpenDocument&emid=TS-2004-000147-LKA&rc=3>, accessed on 02 July 2005.

The distinguishing characteristic of this Tsunami, however, was the geographical extent of the devastation and the number of countries affected (see Map-1). Its epicentre was under the sea, off the northern tip of the Indonesian archipelago near Banda Aceh. Besides devastating parts of Indonesian Sumatra, the quake set off sea surges that reached as far as the coast of Africa, 6,500 km from the epicentre. The Tsunami wreaked havoc around the Bay of Bengal, from India, Sri Lanka and the low-lying Maldives in the west, to Thailand and Malaysia in the east.

**Map-1: Tsunami Hit Countries**



Source: BBC News. Available at:  
[www.news.bbc.co.uk/1/hi/world/4126019.stm](http://www.news.bbc.co.uk/1/hi/world/4126019.stm)

Despite widespread devastation claiming thousands of life, it was observed that in the economic sector, the macroeconomic impact of the calamity was less severe than imagined. The severely affected areas were non-industrial areas, and the direct economic impacts of the Tsunami could be found mainly on the agriculture, tourism and

fishing industries. The impact of the Tsunami on the environment was enormous too and it will take many years to overcome.<sup>72</sup>

On the other hand, it could be argued that, other than the humanitarian assistance, the relief and rehabilitation efforts involved global diplomacy and politics regarding financial assistance, military deployment in the disaster affected areas and, debt relief and delaying repayments by the creditor nations and multilateral institutions. It also involved donor diplomacy and local politics within the affected nations.

The present article, thus, has two main objectives in view. First is to assess the economic impacts of the Asian Tsunami focusing mainly on the macroeconomic impacts. Second, it will identify the ramifications of the disaster aid diplomacy and politics involving relief and rehabilitation efforts by various agents. The discussion is divided into three parts. The physics of Tsunami, i.e., the nature, causes and characteristics of Tsunami in general and the Asian Tsunami in particular, are discussed in the first section. The various economic impacts of the Tsunami including country-wise macro and microeconomic impacts and, overall impacts on poverty and environment of the region are analysed in the second section. The third section deals with the diplomacy and politics around the relief and rehabilitation efforts. In this section the analysis is done at four different levels – global, regional, individual country's responses regarding disaster assistance, and local politics within the affected countries that also impinge on the relief and rehabilitation efforts.

<sup>72</sup> According to the United Nations Secretary-General Kofi Annan, it will take at least ten years to recover. The statement was made during the speech delivered at the Special Meeting of ASEAN at Jakarta on 6 January 2005.

## 2. The Physics of Tsunami

### 2.1 What is a Tsunami?

A Tsunami (pronounced tsoo-nah-mee) is a natural phenomenon consisting of a series of waves that are generated when a body of water in a lake or the sea is rapidly displaced on a massive scale. Earthquakes, landslides, volcanic eruptions, explosions and even the impact of cosmic bodies such as meteorites all have the potential to generate a Tsunami. The effects of a Tsunami can range from unnoticeable to devastation.

Tsunami is a Japanese word which literally means “harbour wave”. The word is represented by two characters, the top character, “tsu”, means harbour and the bottom character, “nami”, means wave. People have sometimes called Tsunami a tidal wave, which is a misnomer; because tides are generated by the gravitational pull of the Moon, the Sun and other nearby Planets acting upon Earth’s water bodies. The processes of tides and Tsunamis are unrelated to each other. Tsunami has also been translated as seismic sea wave, which is not entirely true because all the Tsunamis are not generated by undersea earthquakes. For these reasons, the word Tsunami (first entered in the English language in 1897) is increasingly used in English and other languages in its original Japanese form.

### 2.2 Causes of the Asian Tsunami

The 2004 Indian Ocean earthquake originated just north of the western coast of northern Sumatra of Indonesia. The resulting Tsunamis devastated the shores of Indonesia, Sri Lanka, India, Thailand and some other countries with waves of up to 15 metres high.<sup>73</sup>

The earthquake was initially reported as 6.8 on the Richter scale. On the moment magnitude scale, which is more accurate for quakes

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<sup>73</sup> 2004 Indian Ocean earthquake, available at: [http://en.wikipedia.org/wiki/2004\\_Indian\\_Ocean\\_earthquake](http://en.wikipedia.org/wiki/2004_Indian_Ocean_earthquake), accessed on 09/01/2005.

of this size, the earthquake’s magnitude was first reported as 8.1 by the U.S. Geological Survey. After further analysis, this was increased to 8.5, 8.9 and finally to 9.0.<sup>74</sup>

The hypocentre of the earthquake was at 3.316°N, 95.854°E, some 160 kilometres (100 miles) west of Sumatra, at a depth of 30 kilometres (18.6 miles) below mean sea level.<sup>75</sup> The earthquake was unusually large and numerous aftershocks were reported off the Andaman and Nicobar Islands and the region of the original epicentre in the hours and days that followed. The largest aftershock was 7.1 off the Nicobar Islands. Other aftershocks of up to magnitude 6.6 continued to shake the region on a daily basis.<sup>76</sup>

In fact, an estimated 1200 kilometres of fault line slipped about 15 metres along the subduction zone where the India Plate dives under the Burma Plate. The slip did not happen instantaneously but took place in two phases over a period of several minutes. The India Plate is part of the great Indo-Australian Plate, which underlies the Indian Ocean and the Bay of Bengal and is drifting northeast at an average pace of 6 centimetre/year.<sup>77</sup> The India Plate meets the Burma Plate at the Sunda Trench. At this point the India Plate subducts the Burma Plate which includes the Nicobar Islands, the Andaman Islands and northern Sumatra. The India Plate slipped deeper and deeper beneath the Burma Plate until the increasing temperature and pressure turns the subducting edge of the India Plate into magma which eventually pushes the magma above it out through the

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<sup>74</sup>United States Geological Society Earthquake Hazards Program, *Preliminary Earthquake Report*, available at: <http://earthquake.usgs.gov/recenteqsww/Quakes/usslav.htm>., accessed on 10/01/05.

<sup>75</sup> 2004 Indian Ocean earthquake, *op.cit.*

<sup>76</sup> USGS Earthquake Hazards Program, *Earthquake Activity*, available at: <http://www.neic.cr.usgs.gov/neis/bulletin/>, accessed on 09/01/05.

<sup>77</sup> 2004 Indian Ocean earthquake, *op.cit.*

volcanoes. This process is interrupted by the locking of the plates for several centuries until the build up of stress caused their release resulting in a massive earthquake and Tsunami. The sideways movement between the plates had raised the sea bed several meters, triggering devastating Tsunami waves.

### **2.3 Nature of the Asian Tsunami**

The Asian Tsunami was, in fact, the shaking of the seabed by the earthquake that displaced massive volumes of water, resulting in Tsunamis that struck the coasts of the Indian Ocean. The total energy of the Tsunami waves was about five megatons of TNT. This was more than twice the total explosive energy used during the entire period of World War II (including the two atomic bombs).<sup>78</sup>

The 1,200 kilometres of fault line affected by the quake was in a nearly north-south orientation; for this, the greatest strength of the Tsunami waves was in an east-west direction. Bangladesh, which lies at the northern end of the Bay of Bengal, had very few casualties, despite being a low-lying country.

Due to the distances involved, the Tsunami took time from fifteen minutes to seven hours (for Somalia) to reach the various coastlines. The northern regions of the Indonesian island of Sumatra were hit very quickly, while Sri Lanka and the east coast of India were hit roughly two hours later. Thailand was also struck about two hours later, despite being closer to the epicentre, because the Tsunami travelled more slowly in the shallow Andaman Sea off its western coast.

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<sup>78</sup> See, Montreal Gazette, available at: <http://www.canada.com/montreal/montrealgazette/news/story.html?id=2257b78c-3897-4594-ad86-18c0eb661bea>, accessed on 09.01.05.

Coasts that have a land mass between them and the Tsunamis' location of origin were usually safe, although Tsunami waves can sometimes diffract around such land masses. Thus, the Indian state of Kerala was hit by Tsunamis despite being on the western coast of India, and the western coast of Sri Lanka also suffered substantial impacts. Distance alone was not the guarantee of safety; Somalia was hit harder than Bangladesh despite being much farther away.

Natural disasters like the Asian Tsunami have less visible, but critically important, economy-wide (macroeconomic) effects. More developed economies are more resilient than those that are less developed. In some cases, for those that are not developed, natural disasters have had a positive effect, because of increased spending on the reconstruction and rehabilitation of infrastructure. However, the economic impacts of the Asian Tsunami are discussed below.

### **3. Economic Impacts of the Asian Tsunami**

The impacts of the Asian Tsunami on the economy of the affected countries are seen mainly in the damages to the productive sectors which generate jobs, tax revenue and foreign exchange. They are also in government expenditure that needed to be diverted from other uses. At the same time, the size of the secondary impacts depends very much on the structure of economies and on their flexibility. The effects are greater when other sectors depend very much on the affected sectors or the impact on government expenditure is large, or if government finances are poorly managed.

The earthquake and associated Tsunami that hit Indian Ocean countries entail a natural disaster that was clearly beyond measurement, but the resultant macroeconomic impact looked less severe. The countries affected cover a wide spectrum. The Maldives was badly affected, because of the dependence on tourism. Aceh was suffering all the effects of a major earthquake, with rescue and rehabilitation hampered by isolation and poor governance. In other

countries, the effects were more localised. The effects were most severe where a large number of people, infrastructure (roads, railways, ports, electricity, telephones, water supply and sewage disposal) and economic activities (fishing, tourism) were concentrated along the coast. The effects were relatively most severe for small island economies and regions like Aceh, Andaman and Nicobar Islands, and the Maldives, for their dependence on the sea and proximity to the epicentre of the earthquake.

The tourism related industries in the affected countries have the most to lose. One of the biggest immediate concerns was thus the potential impact on tourism in countries hardest hit by the Tsunami. However, the sector is likely to recover quickly because tourist operators and tourists are largely insured for loss and so are the bigger companies for disruption to business. Moreover, multi-national tourism has internal funding that can raise finance for rapid reconstruction. Tourist arrivals are slowly picking up after a sharp drop right after the Tsunami. As of March 2005, however, tourist arrivals in Tsunami-affected countries were still down 30-40 percent compared to last year.<sup>79</sup> A string of earthquake and aftershocks had contributed to another tourism slump since April 2005.

The macroeconomic impact of the Asian Tsunami has been huge for the Maldives and Sri Lanka, but limited for Indonesia, Thailand, India and other affected countries. The damage was largely confined to rural areas rather than the key economic and densely populated urban centres and industrial hubs. The wider indirect impact was harder to assess. The damage to infrastructure is a principal factor. The rebuilding of coastal infrastructure will take more time. It needs effective planning which is costly. In the following discussion, these varied economic impacts of the Asian Tsunami on different countries are analysed.

<sup>79</sup> Yi Hu, "Tsunami fails to sink tourism outlook", *South China Morning Post*, April 18, 2005.

### 3.1 Country wise Economic Impacts

#### 3.1.1 Indonesia: Less Economic Disruption

As Indonesia was closest to the epicentre of the earthquake, it was hardest hit in terms of human casualties and physical damage. However, Indonesia seemed to have escaped the worst of the Tsunami's economic disruption.

The macroeconomic impact on Indonesia was less severe in comparison with the huge human toll. The damage appeared to be confined to the provinces of Aceh and northern Sumatra. Almost 80 percent of Banda Aceh has been levelled and much of Northern Sumatra's economy and infrastructure will have to be rebuilt from scratch. Total damage from the Tsunami in Indonesia was estimated at US\$ 4.5 billion-US\$ 5 billion.<sup>80</sup> The sectors most impacted were primarily private-sector dominated assets and activities like housing, commerce, agriculture, fisheries, transport vehicles and services that relate directly to the personal livelihoods of the affected urban and rural communities which account almost US\$ 2.8 billion or 63 percent of the total damage and losses.<sup>81</sup> Despite the severe damage to Aceh's economic infrastructure, the country's energy sector (mainly oil and natural gas production facilities in Aceh and Northern Sumatra) seemed to have escaped the disaster. The overall economic impact on the country was fairly limited, as Aceh accounted for around 2 percent of the country's GDP and, since oil and natural gas contributes around half of Aceh's GDP.<sup>82</sup> This

<sup>80</sup>Indonesia: Tsunami Summary, available at: [http://www.adb.org/media/Articles/2005/6618\\_tsunami\\_impact\\_indonesia/default.asp?RegistrationID=guest](http://www.adb.org/media/Articles/2005/6618_tsunami_impact_indonesia/default.asp?RegistrationID=guest) accessed on: 27.10.2005.

<sup>81</sup> *Ibid.*

<sup>82</sup> Asian Development Bank, *An Initial Assessment of the Impact of the Earthquake and Tsunami of December 26, 2004 on South and Southeast Asia*, January 2005, available at,

indicates that the damage to Indonesia's economy was minimal, although the human suffering was great. The impact on tourism was less because the main tourist destinations like Bali and Lombok were not affected.

The majority of the affected people were subsistence farmers or fishermen. So the extent of the damage would depend partly on the amount of agricultural land inundated by water and affected by salination and on the damage of the fishing equipments.

As a result, official forecasts for growth in Gross Domestic Product (GDP) remain unchanged at a healthy 5.5 percent for 2005.<sup>83</sup> The Central Bank of Indonesia stated that the Tsunami has not altered its view of the Indonesian economy. Indonesian shares, performing strongly in 2004, have continued to hit a series of record heights since the Tsunami hit. The immediate reconstruction cost was high. Preliminary estimates put the total cost of reconstruction at US\$ 4 to 5 billion for the coming five years.<sup>84</sup> Economic aid and reconstruction of Aceh province will compensate for the loss in economic activity resulting from the Tsunami disaster.

### 3.1.2. Sri Lanka: The Biggest Economic Impact

Sri Lanka faces significant economic and political challenges in the wake of the Indian Ocean Tsunami disaster. The economy of Sri Lanka was the most severely affected both in extents of the damage

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<http://www.adb.org/Documents/Others/Tsunami/impact-earthquake-tsunami.pdf>, accessed on: 25.01.2005.

<sup>83</sup> BBC News, available at,

[www.news.bbc.co.uk/2/hi/business/4154277.stm](http://www.news.bbc.co.uk/2/hi/business/4154277.stm), accessed on: 15.01.2005.

<sup>84</sup> IMF and WB, *Preliminary Assessment of the Macroeconomic Impact of the Tsunami Disaster on Affected Countries, and of Associated Financing Needs*, February 4, 2005, available at, <http://www.imf.org/exteranl/np/vc/2005/011505.htm>, accessed on: 02.04.2005.

and in comparison to its smaller size. As the economy of Sri Lanka is small in size, it is less well equipped to absorb the disaster, while political problems also limited the extent to which the government was able to implement rehabilitation programmes.

The immediate humanitarian impact of the disaster was huge. The Tsunami struck a long coastal area stretching over two-thirds of the country's coastline. The affected population was estimated at between one and two million, out of a total population of 19 million.<sup>85</sup>

Although the commercial areas in the western part of the country were largely unaffected, there was extensive damage to the fisheries and tourism sectors. The fishing industry that accounts for 2 percent of GDP has been devastated.<sup>86</sup> In Sri Lanka, almost 80 percent of fishing vessels had been either lost or damaged and over 13,000 fishermen were dead or missing.<sup>87</sup> More than 5,000 fishing families had been displaced and several of the major fishing harbours had been destroyed.<sup>88</sup> According to the Central Bank, lost output from this sector would not have a major direct impact on the macro economy. However, the social and indirect economic costs are likely to be higher. Tourism will take time to recover. Beach resorts on the south coast had been badly affected. Tourism and related services account for about 2 percent of GDP and more than 5 percent of exports of goods and services.<sup>89</sup> The physical capital stock had been severely damaged. Preliminary estimates indicated that the Tsunami tore up railways and roads and destroyed 100,000 homes and

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<sup>85</sup> *Ibid*

<sup>86</sup> *Ibid*

<sup>87</sup> *The Bangladesh Observer*, January 15, 2005

<sup>88</sup> *Ibid*

<sup>89</sup> IMF and WB, *op cit.*

150,000 vehicles.<sup>90</sup> The port of Colombo sustained only light damage.

Longer-term impact of the Tsunami will be observed on the tourism industry. The infrastructures, especially on the south coast, had been hard hit. About one-fifth of the hotels in the region had been put out of action. Like in other countries, the disaster had largely missed major urban areas and important industrial areas, which will lessen the longer-term economic impact.

Sri Lanka's economy was having rising indicators before the Tsunami struck. It is expected that 5 percent growth in 2004 will be affected by at least a percentage point in 2005.<sup>91</sup> The stock market has been robust. Deregulation of international trade in textiles could help Sri Lankan manufacturers and is seen as a way to make up for foreign-currency income lost by the tourism sector. The country will face a heavy reconstruction bill as its damaged infrastructure was more developed than the other affected countries. Financing needs for reconstruction are estimated at US\$1.5-1.6 billion including upgrading in the power, water and transportation sectors.<sup>92</sup>

### 3.1.3. Thailand: Shock to the Tourism Industry

The Tsunami that hit the southern coast of Thailand inflicted a heavy human toll and widespread infrastructural damage. The economic impact on Thailand shows up mainly through damages in the tourism industry, which accounts for around 6 percent of its GDP.<sup>93</sup> There has been considerable property damage and loss of human life on the island of Phuket, and the five other provinces and

surrounding resort islands on the south-western side of the country facing the Andaman Sea. The rest of the country's economic infrastructure and production capacity has been unaffected. The damage to its major economic activity, tourism, will have a multiplier effect on the entire Thai economy. Tourism accounts for at least 10 per cent of employment in Thailand, and the disruption is likely to reduce personal income and hence consumer spending.<sup>94</sup> Tourism receipts and the multiplier impact on the Thai economy will drop off significantly.

Other affected industry by the Tsunami includes fisheries. Almost 20 per cent of fishing boats in the affected region were damaged.<sup>95</sup> In coastal Thailand, fishing villages with a population of around 120,000 have lost some 4,500 boats.<sup>96</sup> However, the fisheries industry accounts for only 1.7 percent of total GDP, and the Shrimp industry (Thailand is the world's largest shrimp exporter) was largely unaffected.

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<sup>90</sup> Asian Development Bank, *op. cit.*

<sup>91</sup> BBC News, *op. cit.*

<sup>92</sup> IMF and ADB, *op. cit.*

<sup>93</sup> The Economist Intelligence Unit, "Asia's Tsunami: The impact", *EIU Special Report*, January 2005, available at: [www.eiu.com](http://www.eiu.com)

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<sup>94</sup> *Ibid*

<sup>95</sup> *Ibid*

<sup>96</sup> *The Bangladesh Observer, op. cit.*

Table-1: Impacts of the Asian Tsunami

Country	GDP growth in 2004 (%)	GDP growth in 2005 (%)	Impacts of Tsunami
Indonesia	5.1	5.5	The impact on GDP is estimated to reduce growth by 0.1-0.5 percentage point. Unlikely to cause a significant dent on growth. Oil and gas facilities operational.
Sri Lanka	5.5	5.2	The impact on GDP growth might be relatively small, perhaps less than 0.5 percentage point off expected growth in 2005. Key tourism area needs rebuilding. Largest number of people displaced, which is a setback to economic activities, especially fishery sector.
Thailand	6.1	5.6	The negative impact is estimated at 0.3-0.5 percentage point of GDP. Major tourism areas affected.
India	6.5	6.9	The adverse impact of the Tsunami is localized and the level of national economic activity has not been significantly affected. Affected areas are not a key contributor to production or tourism. Fishing communities are the most affected. Key infrastructures are intact.
The Maldives	8.8	1.0*	Overall macro economic developments will be affected by the pace of restoration of tourism and fishing.

Source: Compiled from Asian Development Outlook 2005, Available at: <http://www.adb.org>, accessed on: 01/10/2005 & Tsunami impact on Asian economies (update), *Deutsche Bank Research*, available at: <http://www.dbresearch.com/servlet/reweb2.ReWEB?rwkey=u900615>, accessed on: 09/10/2005.

\*Source: *IMF. World Economic Outlook 2005.*

The macroeconomic impact of the disaster is expected to be limited. The preliminary estimate of physical damage is about US\$ 0.8 billion, which is almost 0.5 per cent of the country's GDP.<sup>97</sup> Thailand is better off than some nearby tourist destinations. The affected area around Phuket produces only 1.9 per cent of national income.<sup>98</sup> Total economic losses could exceed US\$ 3.0 billion and the GDP impact approximately 0.5 per cent for 2005.<sup>99</sup>

#### 3.1.4. India: Limited Economic Impact

India suffered large human losses on account of the Tsunami. The Andaman and Nicobar Islands and three southern states of Andhra Pradesh, Kerala and Tamil Nadu had suffered extensive physical damage.

In India, the macroeconomic impact is expected to be minor because of the huge size of its economy. There were reports of some damage to ports across the south-eastern part of the country including Chennai, but nothing significant. Oil refineries continue to operate normally. The most important issue will be some infrastructure damage along with the possible damage to the tourism industry along the southern coasts of the country where the Tsunami directly hit. In the Andaman and Nicobar islands, almost 70 percent of the island's jetties had been damaged, which spelled trouble for the fishing industry, source of two-thirds of local employment.<sup>100</sup>

Although the impact of the Tsunami on India's GDP is insignificant, the disaster had devastated lives, social infrastructure

<sup>97</sup> IMF and ADB, *op. cit.*

<sup>98</sup> BBC News, *op. cit.*

<sup>99</sup> *Economic Impact of Tsunami Catastrophe*, available at, <http://www.dollardex.com/sg.index.cfm?current=../contents/Tsunami&contentID=2217>

<sup>100</sup> BBC News, *op. cit.*

and economic foundations in the affected areas. India's GDP is by far the largest of the countries affected by the Tsunami. In other words, the damage has been barely noticeable in countries with diverse and geographically varied economy. The Tsunami also had no effect on any of India's major manufacturing or agricultural centres. The Tsunami had no impact on the vibrant information technology sector. Although private consumption will be reduced in the affected areas, it will be negligible in a country with huge population. The fishing industry contributes around 3 percent to the total GDP in Andhra Pradesh and 0.7 percent in the worst-affected state of Tamil Nadu.<sup>101</sup> The dependency on tourism in both states is much less than other countries like Thailand and Sri Lanka.

The Indian government estimates that the total preliminary damages in the Tsunami affected areas are around 0.25 percent of GDP.<sup>102</sup> Good governance will help to limit the effects of the disaster on the economy. The southern Indian states of Tamil Nadu and Andhra Pradesh are among the most developed in India and their respective state governments are relatively more effective.

### 3.1.5. The Maldives: Tourism Economy in Disarray

The Maldives was hit hard by the Tsunami. Although the human toll had been relatively smaller than the other affected countries, there was extensive damage to housing and infrastructure. Fourteen of about 200 inhabited islands were completely devastated, which led to the abandonment of three of them. Some 5 percent of the population lost their homes, one-quarter of tourist resorts is closed and 8 percent of fishing boats were damaged where a large part of the population depends on fishing for their livelihood.<sup>103</sup>

<sup>101</sup> The Economist Intelligence Unit, *op. cit.*

<sup>102</sup> IMF and WB, *op. cit.*

<sup>103</sup> *Ibid*

The economic impact in the Maldives was very substantial mainly due to the destroyed tourism infrastructure. The Maldives is far more dependent on tourism than other affected countries. Almost two-fifths of the workforce are employed in the industry and its wider effects help to produce 74 percent of GDP. Total damages are estimated to be about US\$ 470 million, close to 62 percent of GDP.<sup>104</sup> About US\$ 298 million of this are direct damages and the rest are indirect losses. The tourism sector has the largest direct damages with losses of US\$ 100 million followed by the housing sector with losses close to US\$ 65 million.<sup>105</sup> A preliminary joint World Bank/ ADB/UN assessment has estimated the damage at about US\$400 million.<sup>106</sup>

### 3.2. Impacts on Poverty

Poverty is potentially the most important consequence of this Tsunami disaster. A large number of people have become internally displaced in the most affected areas. The poverty impact of the Asian Tsunami is discussed below.

The Tsunami that ripped across southern Asia will throw nearly 2 million additional people into poverty.<sup>107</sup> Though the macroeconomic effects were slight, the poverty impacts may be substantial, especially at the local and community levels. The sudden loss of housing, other assets and jobs paralyzed their daily activities.

<sup>104</sup> BBC News, *op. cit.*

<sup>105</sup> Republic of the Maldives, *Tsunami: Impact and Recovery*, Joint Needs Assessment by World Bank-Asian Development Bank-UN System, available at, <http://siteresources.worldbank.org/INTMALDIVES/Resources/mv-na-full-02-14-05.pdf>

<sup>106</sup> IMF and ADB, *op. cit.*

<sup>107</sup> Asian Development Bank, *op.cit.*

In Indonesia alone, the disaster would add at least 474,619 displaced persons and, by taking into account of other indirect effects, the number of poor people could increase by more than one million.<sup>108</sup> According to the International Labor Organization (ILO), about 600,000 people in Indonesia have lost their sole source of livelihood, particularly those who worked in fishing, and small-scale agriculture and did small businesses. The unemployment rate in affected provinces could be 30 percent or higher, up from 6.8 percent before the Tsunami.<sup>109</sup>

In India, the initial estimates indicated that the number of poor people could increase by 645,000.<sup>110</sup> These people were found mainly in the affected states of Andhra Pradesh, Kerala, Pondicherry, Tamil Nadu and the Islands of Andaman and Nicobar.

In Sri Lanka, the devastating effects of the disaster could add around 250,000 more poor people.<sup>111</sup> In Sri Lanka, over 400,000 workers have lost their jobs, mostly in fishing and tourism. The unemployment rate in affected provinces probably rose from 9.2 percent before the Tsunami to over 20 percent afterwards. The ILO notes that the rapid aid and support mobilized after the disaster could result in between 50-60 percent of affected workers being able to earn a living again by the end of 2005 and further about 85 percent of jobs could be restored by the end of 2006.<sup>112</sup> Many people in coastal communities have found temporary employment through

work-for-cash or work-for-food programmes sponsored by governments and foreign aid groups. As many of the poor fishermen who had lost their boats and fishing equipment are still awaiting their repair or replacement, they are still unable to go back to their pre-Tsunami standard of living and are still dependent on government welfare programmes. According to K. M. Tilakaratne, a Programmes/Implementation Officer in ADB's Resident Mission in Sri Lanka, "*the Tsunami destroyed most existing micro, small, and medium-sized businesses and local fisheries in the coastal belt, creating large-scale unemployment.*"<sup>113</sup>

In the Maldives, while the loss of life was fortunately low, the Tsunami caused widespread damage to infrastructure. Tourism, housing, fisheries, water and sanitation infrastructure were hit hard. About half of the country's houses were affected and more than 50 percent of the population could fall into absolute poverty or the number of poor would increase by about 24,000.<sup>114</sup>

The poverty impact on other countries affected by the Tsunami has been insignificant.

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<sup>108</sup> *Ibid*

<sup>109</sup> ILO Press Release, available at: <http://www.ilo.org/public/english/bureau/inf/pr/2005/3.htm>, accessed on, 05/10/2005

<sup>110</sup> *Ibid*

<sup>111</sup> *Ibid*

<sup>112</sup> ILO Press Release, available at: <http://www.ilo.org/public/english/bureau/inf/pr/2005/3.htm>, accessed on: 05/10/2005.

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<sup>113</sup> Providing Temporary Income To Tsunami-Affected Poor People In Sri Lanka, News Release No. 154/05, 11 October 2005, available at: <http://www.adb.org/Documents/News/2005/nr2005154.asp>, accessed on: 20/10/2005.

<sup>114</sup> *Ibid*

**Table-2: Poverty impacts of the Asian Tsunami**

Country	Base Year	Total Population (000)	Number of Poor (000)	Additional number of Poor (000)
Indonesia	2002	212,000	38,584	1,035
India	1999	1,001,000	261,261	644
Sri Lanka	1995	17,280	4,355	287
Maldives	2004	300	66	39
Thailand	2002	63,430	6,216	24

Source: Guntur Sugiyarto and A.T. Hagiwara, “Poverty Impact of the Tsunami: An Initial Assessment and Scenario Analysis”, A paper presented during the 4<sup>th</sup> PEP Research Network General Meeting, June 13-17, 2005, Colombo, Sri Lanka.

The number of poor people could further increase if concerns over sanitation and health conditions, as well as other basic needs of the survivors are not addressed properly. Governments of the affected countries and the international community should work together to overcome the immediate and long-term impacts of the Tsunami disaster.

Besides the shocking toll on human lives, the Indian Ocean earthquake has caused an immense environmental impact which will affect the region for many years to come. The environmental impacts of the Asian Tsunami are depicted bellow.

**4. Impacts on the Environment**

Enormous impacts have been observed on the coastal environment, causing damage and loss to natural habitats and important ecosystem function. Severe damage has been inflicted on ecosystems such as mangroves, coral reefs, forests, coastal wetlands, vegetation, sand dunes and rock formations, animal and plant biodiversity and groundwater. In addition, the spread of solid and liquid waste and industrial chemicals, water pollution and the destruction of

sewage collectors and treatment plants threaten the environment. Uncountable wells that served the people were invaded by sea, sand and earth, and aquifers were invaded through porous rock. Soils which were washed by the sea become sterile and it is difficult and costly to restore fertility for agriculture. It also caused the death of plants and important soil micro-organisms.

According to a preliminary damage and loss assessment of the disaster carried out by the Government of Indonesia and the international donor community, the economic costs to the environment in Indonesia has been estimated at approximately US\$ 675 million. Among critical coastal habitats in Aceh and north Sumatra 25,000 hectares of mangroves, 30 percent of previously existing coral reefs and 20 percent of sea grass beds have been damaged. The economic loss is valued at US\$ 118.2 million, US\$ 332.4 million and US\$ 2.3 million, respectively.<sup>115</sup> Almost 7.5 kilometres of river mouth need rehabilitation as it is infiltrated by saline water, sediment and sludge.<sup>116</sup> Hundreds of wells in the rural area needed to be cleaned up. Along the coastal strip, approximately 48,925 hectares of forest area were affected with the assumption that 30 percent of this area has been lost.<sup>117</sup>

The small island state’s environment had proven extremely vulnerable to the devastation of Tsunami. The Maldives is highly dependent on the fragile ecosystem of their coral reef islands. The Tsunami caused widespread deposition of coral sand, vegetation, municipal waste from dumpsites, healthcare waste, hazardous substances (oil, asbestos, batteries, etc.) and demolition waste (concrete, coral fragments, timber, etc.). Coral reefs around the islands have been damaged by sedimentation and excessive amounts of debris. The Tsunami also resulted in beach erosion and soil wash

<sup>115</sup> UNEP, *Asian Tsunami Inflicts Multimillion Dollar Damage on Indonesia’s Environment*, Press Release, IHA/1002, UNEP/263, available at: <http://www.un.org/News/Press/docs/2005/iha1002.doc.htm>

<sup>116</sup> *Ibid*

<sup>117</sup> *Ibid*

off. It is estimated that in the Maldives more than one hundred million square meters of beach on 130 islands was eroded by the Tsunami's force. Extensive erosion caused sediment to accumulate in the harbours of 44 islands, impacting an area of approximately 400,000 square meters.<sup>118</sup>

Thousands of rice, mango and banana plantations in Sri Lanka were destroyed almost entirely and will take years to recover. In the affected areas of the country, all of the 62,000 water wells are now contaminated with salt water and in some cases sewage.<sup>119</sup> Several thousand fruit and rice farms in areas such as Trincomalee and Batticaloa districts had been affected by salt contamination.

Over 20,000 hectares were inundated by sea water in Thailand with an estimated 1,500 hectares of agricultural land severely impacted. Over 12 percent of the coral reefs along Thailand's affected Andaman coast have been 'significantly impacted'.<sup>120</sup>

The Tsunami caused extensive damage to the coastal areas of Tamil Nadu and Pondicherry, and more localized damage to the coasts of Kerala and Andhra Pradesh. Seepage of sea water into shallow aquifers, wells and other freshwater sources have implications for immediate human health and agriculture. There has been extensive erosion of the beach in some areas. The most visible is the salination of agricultural land and ground and surface freshwater sources including ponds, tanks, irrigation canals, lakes, streams and rivers.

The United Nations Environment Programme (UNEP) is working with the governments of the affected countries to determine the severity of the ecological impact and its remedy. UNEP has

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<sup>118</sup>United Nations Environment Programme, *Rebuild Differently After the Tsunami*, UNEP Advises, available at:

<http://www.unep.org/Documents.Multilingual/Default.asp?DocumentID=424&ArticleID=4733&l=en>

<sup>119</sup> *Ibid*

<sup>120</sup> *Ibid*

decided to earmark a US\$ 1 million emergency fund to establish a Task Force with this aim.<sup>121</sup>

## 5. Diplomatic and Political Fallout of the Asian Tsunami

The devastation and misery caused by the Asian Tsunami aroused the need for gargantuan humanitarian aid by the global community and organizations. But in reality it was found that the total relief and rehabilitation processes involved such events and issues that were not humanitarian in nature, rather it involved intense diplomatic manoeuvring in the name of aid, massive military deployment in disaster affected areas, global politics and, even regional and local politics.

Now before delving into the analysis diplomacy around Asian Tsunami, it would be instructive to explain the concept of aid diplomacy and disaster assistance diplomacy to convey the meanings in which they are used in the subsequent analysis.

### 5. 1. Aid Diplomacy and Disaster Aid Diplomacy: A Conceptual Note

Foreign aid or assistance is money or other aid<sup>122</sup> made available to Third World states to help them speed up economic development<sup>123</sup> or simply meet basic humanitarian needs. Different

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<sup>121</sup>United Nations Environment Programme, *Environmental Issues Emerging from Wreckage of Asian Tsunami*, available at:<http://www.unep.org/Documents.Multilingual/Default.asp?DocumentID=414&ArticleID=4692>

<sup>122</sup> Food Aid, Commodity Aid, Military Aid, Technical Assistance, Deputation of Experts, Training etc.

<sup>123</sup> There exists a good number of Literature on Foreign Aid and its role in the Third World development. See O'Hanlon, Michael, and Carol Graham. *A Half Penny on the Federal Dollar: The Future of Development Aid*. Washington, DC: Brookings, 1997. Hook, Steven W. *National Interest and Foreign Aid*. Boulder: Rienner, 1995. Krueger, Anne O., Constantine Michalopoulos, and Vernon W. Ruttan. *Aid and Development*, Baltimore:

kinds of foreign assistance have different purposes – humanitarian, political, economic, and cultural. Aid is also given to create future economic advantages for the giver while these purposes often overlap.

Aid diplomacy on the other hand, is a part of economic diplomacy that comprises a whole range of activities involving the use of material and human resources for the achievement of the ends of the foreign policy of a state, eventually designed to attain national objectives.<sup>124</sup> Aid diplomacy often permeates the entire spectrum of diplomatic effort by states and is designed to mould, shape or influence the domestic and foreign policies of the aid-recipients. David Jordon in his book *World Politics in Our Time* observes, "...to gain the objectives of the State, diplomatists have at their disposal instruments which are more coercive than propaganda and psychological warfare; the more useful and the widely employed ones to attain the aims of foreign policy are the economic ones which have traditionally been used by donor or creditor countries."<sup>125</sup> In the Cold War era, granting aid was dependent on the alliances of the recipient country and aid was used as a leverage to create new alliances. It has been practised extensively by the super powers in various forms for putting pressure on recipient states or for building strength vis-à-vis the opponents. The end of the Cold War prompted the donor countries to alter their aid policy. Since 1990s granting aid decisions have been determined by the internal conditions of the recipient state i.e., its regime type (democratic or authoritarian, market economy or state controlled economy), and levels of economic development.

Disaster aid, which is given in response to catastrophic events, is also a kind of development assistance which is distinguished by the

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Johns Hopkins, 1989. Smith, Brian H. *More Than Altruism: The Politics of Private Foreign Aid*. Princeton, 1990.

<sup>124</sup> Dewan C Vohra, *India's Aid Diplomacy in the Third World*, Vikas Publishing House Pvt. Ltd., New Delhi, 1980. p. 1.

<sup>125</sup> Quoted by Dewan C Vohra, *Ibid.*

type of assistance rather than the type of donor that may include both government and private aid.<sup>126</sup> While foreign policy and international political considerations strongly influence allocations of military and economic development assistance,<sup>127</sup> similar influences are also existent on humanitarian disaster assistance as well. In a recent study, it is postulated that at least three basic types of political considerations may affect disaster assistance decisions of a donor country: (1) foreign policy concerns or reservations about the potential recipient state, (2) creditor nation's domestic political concerns, and (3) domestic politics within the potential recipient state.<sup>128</sup> More importantly, whilst the initial "yes/no" decision to grant disaster assistance is markedly political, the subsequent "how much" decision is also not devoid of political consideration.<sup>129</sup> In case of Tsunami disaster assistance, all these three types of considerations noticeably influenced the decisions of the donor countries. This will be explored in the following discussion.

## 5.2. *Global Diplomacy and Politics around Asian Tsunami*

### 5.2.1. International Response and Pledges

The international community responded quickly and vigorously to the devastation caused by the Asian Tsunami. The United Nations responded immediately by warning that the biggest ever-international relief effort would be needed to cope with the disaster.

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<sup>126</sup> For a discussion on the Disaster Relief Model, see Joshua S. Goldstein, *International Relations*, 5<sup>th</sup> Edition, Singapore, Pearson Education Pte. Ltd., 2003, p. 525-526.

<sup>127</sup> Cingranelli and Pasquarello, 1985; Carleton and Stohl, 1987; Lebovic, 1988; McCormick and Mitchell, 1988; Poe, 1991, 1992; Poe and Meernik, 1995; Hook, 1996; Payaslian, 1996; Meernik, Krueger, and Poe, 1998.

<sup>128</sup> A. Cooper Drury et. al., The Politics of Humanitarian Aid: US Foreign Disaster Assistance, 1964-1995. *The Journal of Politics*, Vol-67, No. 2, May 2005, p. 3-4. Available at

[http://journalofpolitics.org/files/67\\_2/drury.pdf](http://journalofpolitics.org/files/67_2/drury.pdf), accessed on 12 May 2005.

<sup>129</sup> *Ibid.*

In the first week of January 2005, the UN appealed to the international community for US\$ 977m for the relief effort over the next six months of which it secured the pledge for US\$ 870m i.e., 89.04 percent of the appeal. This had been for the first time the world body had collected so much money in such short space of time as the Chief Coordinator of United Nations Humanitarian Assistance Jan Egeland reported. Later in April, the UN appealed for an additional US\$ 100m which bring the total amount requested for the year 2005, to nearly US\$ 1.1 billion.<sup>130</sup>

Other multilateral institutions and individual countries also acted out promptly by providing relief aid which amounted to an aid pledge of US\$ 5.0 billion as of January 10, 2005.<sup>131</sup> ADB and World Bank pledged significant amount of aid US\$ 675m & US\$ 250m respectively. Contributions by individual countries viz., USA, Australia, Germany, Japan – who had provided its biggest package of natural disaster aid ever – and Norway were also significant (Table-3).<sup>132</sup> There were also significant pledges from the United Kingdom, Italy, China, Sweden, Canada, Denmark, Spain, France, and Republic of Korea totalling US\$ 743m. The response from the EU was also significant. Just after the deluge, on the very day the European Commission committed €23 million (US\$ 30 million) in humanitarian aid. Later, an additional aid package of up to €450 million (US\$ 585 million) was provided, which comprised further €100 million (US\$ 130 million) in humanitarian aid as well as €350 million (US\$ 455 million) to serve longer term reconstruction needs. In humanitarian and reconstruction aid, the total support from the European Union (25 EU Member States plus European Commission)

<sup>130</sup> Frances Williams, “UN Pulls in “under 10%” of Relief Appeal”, *Financial Times*, 7 April, 2005.

<sup>131</sup> Aid pledges include cash donations, debt relief and low-interest loans. However, as compiled by the *Office for the Coordination of Humanitarian Affairs (OCHA)* of UN, as of 25 April 2005, the total governments pledge amounts to US\$ 5.78bln of which humanitarian aid is US\$ 2.88bn, and the private donations to US\$ 897m, totalling US\$ 6.69bn.

<sup>132</sup> ADB, *op.cit.* p. 7.

estimated to around €1.5 billion, or about US\$ 2 billion. In addition, the EC further announced a proposal for €1 billion (US\$ 1.3 billion) “*Indian Ocean Tsunami Lending Facility*” to be managed by the European Investment Bank.<sup>133</sup>

A unique characteristic of the response by international community and their relief effort was that there were huge private donations from individual countries. According to the information provided by the OCHA-Office for the Coordination of Humanitarian Affairs of UN, donations from private citizens of various countries amounts to US\$ 983m with an uncommitted donations of US\$ 53m totalling more than US\$ 1bn.

**Table 3: Tsunami Aid Pledged by Individual Countries, Multilateral Institutions and EU**

Name of Donors	Amounts Pledged (In Million US\$)
Asian Development Bank	675
World Bank	250
USA	350
Australia	816
Germany	664
Japan	500
Norway	182
(UK, Italy, China, Sweden, Canada, Denmark, Spain, France and Republic of Korea)	743
EU	2,000
<b>Total</b>	<b>6,180</b>

Source: ADB, *UN Relief Web*, *The Economist.com*, *European Commission etc.*

<sup>133</sup> Information about the EU relief effort has been provided by EC President José Manuel Barroso in his Speech at the “*Special ASEAN Leaders*” Meeting held in Jakarta, Indonesia on 6 January 2005.

Now a major diplomatic concern is that though there were huge pledges for humanitarian and reconstruction aid, how much of that pledge will actually materialize since international attention and resources shift to other emergencies as well. It could be recalled that pledges for the 2003 earthquake in Bam of Iran were not all fulfilled and there are survivors still living in tents. Of the US\$ 1.1bn pledged to help the people of the Iranian city of Bam, only US\$ 17.5m was sent according to the Iranian government. Mozambique likewise received less than half of the US\$ 400m that were actually promised after the floods of 2000 and Honduras and Nicaragua still await two-thirds of the US\$8.7bn proffered after Hurricane Mitch swept through in 1998. Tsunami pledges might not face the similar fate but the fact remains disparaging since in February of 2005, the UN urged the governments to fulfil their pledges in view of the fact that only one third of the pledge i.e., US\$360m has so far reached the world body's coffers.<sup>134</sup> Nevertheless, one significant development is that the UN for the first time has developed a tracking system that shows pledges and also receipts to try to hold pledging governments accountable. But the extent to which UN officials will really be able to expose and shame governments to follow through on their pledges is doubtful.

### 5.2.2. Military Deployment and Its Strategic Implications

Like all major disasters, huge military personnel and military hardware were deployed in the Tsunami disaster affected areas. In addition to national military of affected countries, military personnel and equipment from foreign countries were also deployed to administer the relief, rehabilitation and reconstruction work. This military deployment by foreign countries including the USA and

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<sup>134</sup> UN: *Governments Must Provide More Tsunami Aid*, Associated Press, February 8, 2005.

India raised significant concerns both in the affected countries and among the international community about its strategic implications.

Approximately 40,000 military personnel from more than a dozen nations had been poured into the disaster areas around the Indian Ocean to ferry aid. The United Nations-coordinated effort included 16,000 U.S. forces, 16,000 Indian troops and 350 Australian military personnel. Pakistan and Spain each planned to deploy some 500 military personnel.<sup>135</sup> Japan expected to send about 1,000 troops launching Tokyo's biggest post-war military deployment for disaster assistance – a sensitive step in a country, whose defence policy is guided for a long time by the US-Japan Military Pact and, whose constitution renounces the use of force and, the right to keep a military. Nevertheless, Japan in recent years is in the process of formalizing rescue and relief operations abroad as one of the military's primary duties.<sup>136</sup>

The large deployment of military personnel, ships and aircrafts (see Table-4) raised concerns both at the national and international level. Alarm was growing over the sudden appearance of US troops<sup>137</sup> in the role of aid givers. The looming spectacle of the US Navy's operations, close to the strategic Straits of Malacca, had raised concerns about the possibility of Washington establishing a long-term military presence in the areas where it was not physically present until now. In Indonesia, where the military has a long and bloody history of suppression, and also in Sri Lanka, where a civil

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<sup>135</sup> Authors do not have further information about the actual military deployment by Pakistan and Spain.

<sup>136</sup> Portraying the military as a relief organization is an established trope at home by the Japanese authority. The Tsunami disaster was a chance to sell the same idea abroad. See, Masaru Tamamoto, "After the Tsunami, How Japan Can Lead," in *Far Eastern Economic Review*, Vol. 168, No. 2, January 2005, p.13.

<sup>137</sup> US had conducted its largest operation in Asia since the Vietnam War.

war has been raging for years, there was deep suspicion about Washington’s motives. Apologists for the US were trying to put a favourable spin by saying that “the United States has this unique capability to move rapidly with its military to take care of humanitarian and other security challenges in Asia.”<sup>138</sup>

**Table-4: Military Assistance by Various Countries to the Tsunami-hit Nations**

Supplier Countries	Recipient Countries	Troops	Helicopters	Aircrafts	Ships	Others
United States	Indonesia & Sri Lanka	16,000	50	40 cargo, reconnaissance and refuelling airplanes	17 Navy ships, aircraft carrier USS Abraham Lincoln and helicopter carrier USS Bonhomme Richard	US Navy hospital ship USNS Mercy from California to provide medical services to the survivors.
Australia	Indonesia	350	4 Iroquois	4 C-130 Hercules		Set up a Military field hospital and a water purification plant in Banda Aceh
	Thailand					25-member forensic identification team to Phuket
Bangladesh	Sri Lanka & Maldives	157	2 Bell-212	2 C-130		
Britain				1 Cargo	2 Naval	

<sup>138</sup> The comment was made by Derek Mitchell of the Center for Strategic and International Studies, a Washington-based think tank.

<b>China</b>	The Chinese People's Liberation Army (PLA) has airlifted nearly 500 tonnes of food, water, medicine and other relief supplies to Tsunami victims in Indonesia, Sri Lanka, India and Thailand.					
<b>France</b>	<b>Sri Lanka &amp; Maldives</b>	1,000	5 Puma			frigate Dupliex, helicopter carrier Jeanne d'Arc and frigate Georges-leygues
<b>Germany</b>	<b>Indonesia</b>			medical evacuation plane	supply ship Berlin with 150 crew	mobile hospital in aceh
<b>India</b>	<b>Indonesia, Sri Lanka &amp; Maldives</b>	16,000 (biggest relief operation in its history)	16	41 aircraft with 5,000 airmen including 7 IL-76 transports, 15 AN-32 and 3 Avro transports	32 navy ships of which 2 were sent to Aceh, 5 to Sri Lanka, and 3 to the Maldives	mobile hospital in Sri Lanka
<b>Italy</b>	<b>Thailand</b>	6 to 8 paramilitary police specialists in forensics to help identify bodies in Thailand.				
<b>Japan</b>	<b>Indonesia &amp; Thailand</b>	1,000	5 <sup>a</sup>	one transport plane with 40 military personnel	3 ships <sup>a</sup>	
<b>Pakistan</b>	<b>Indonesia</b>	500 military personnel in medical and engineering teams.				Field hospital comprising 60 doctors, paramedics and a company of engineers
	<b>Sri Lanka</b>					
<b>Spain</b>	<b>Indonesia</b>	650		5 transport planes	one naval hospital	mobile plant to purify drinking water
<b>Switzerland</b>	<b>Indonesia</b>	3 Super Puma military helicopters to deliver aid in Aceh				

Source: Compiled from Reuters bureaux, London, as of January 9, 2005.

<sup>a</sup> See, Masaru Tamamoto, *op.cit.* p. 13.

But it seems that the US government had decided to take the good opportunity to strengthen its relations with local militaries, and establish its presence in areas that have not been very welcoming. Before the Tsunami disaster it would have been unthinkable for a US aircraft carrier to dock in Indonesia's waters, or US marines to rub shoulders with troops from the world's most populous Muslim nation. US Rear Admiral Doug Crowder told the Washington Post that he expected the joint efforts to improve prospects for resuming full military ties with Indonesia which were cut back after massive movements in both Indonesia and East Timor, starting a war that killed one-third of the population there.

The admiral's expectation came into reality when the US had lifted its ban<sup>139</sup> on the sale of military spare parts to Indonesia, since the parts were needed to get C-130 transport planes flying again. This lifting of ban had surely paved the way for the US to resume military deal with Indonesia.

Nevertheless, the Indonesian authority urged the foreign troops to withdraw as soon as possible. In fact, they provided a deadline of three months ending on 26 March 2005, to the US military to leave the country.<sup>140</sup> The government of Indonesia also restricted military movement beyond the provincial capital of Aceh and the western coast of Meulaboh on the allegation of safety of the aid workers.

Japan's initiative by mobilizing the largest post-Second World War military movement also raised concerns among the defence analysts and its neighbours. Japan's relief effort could be considered

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<sup>139</sup> The US had imposed a ban on selling military hardware to Indonesia following the violation of the cease-fire by Indonesian government in May 2003.

<sup>140</sup> Later it was found that United States complied with the deadline though the authors are unaware that whether the withdrawal was complete or some of them are still there.

as a step to conform to the recently issued National Defence Program Guideline (NDPG),<sup>141</sup> which promulgates a new strategy to integrate national defence and international security policies in recognition of the changing international security environment. The NDPG advocates a multi-functional, flexible and more efficient force structure, and the successful Tsunami relief was the first example of the kind of international cooperation advocated in the NDPG.<sup>142</sup> The Tsunami relief effort, in fact, broadened the acceptance of using military force in non-traditional settings for a country whose constitution prohibits the use of force and military deployment.<sup>143</sup>

### 5.2.3. Debt Freeze and Delaying Repayments

After a meeting on 12 January 2005, in Paris, France, the Paris Club, an informal creditor group of the world's nineteen wealthiest nations, announced on 13 January 2005, freezing debt repayments for Indonesia, Sri Lanka and the Seychelles<sup>144</sup> being the highly indebted countries affected by the Tsunami (see Table-5). Thus these three countries got the option to request a deferral of principal and interest repayments due to Paris Club creditors.<sup>145</sup>

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<sup>141</sup> The National Defense Program Guideline (NDPG) for FY 2005 was approved by the Security Council and the Cabinet on December 10, 2004.

<sup>142</sup> Mr. Hiroshi Marui commented in a discussion group titled "*The New Defense Plan Guideline and Tsunami Relief: Implications for the Role of the Japan Self-Defense Forces*", hosted by CSIS on January 25, 2005.

<sup>143</sup> Jim Przystup of NDU, *Ibid.*

<sup>144</sup> *The Bangladesh Today*, World's Leading Creditors Plan Debt Freeze for 3 Quake-hit Nations. 13 January 2005.

<sup>145</sup> The Paris Club agreed to debt moratorium for an initial three-month.

**Table-5: Foreign Debt Carried by Tsunami Hit Countries**

Countries	Foreign Debt (US \$ billions)	% of GNI	Total Debt Service(% of exports of goods and services)
Indonesia	130.8	79.5	24.81
Sri Lanka	7.7	47.14	9.7
India	82.9	16.37	14.88
Thailand	58.2	46.6	23.09
Myanmar	4.1	na	na
Malaysia	48.2	54.6	7.3
Maldives	0.2	33.59	4.4
Bangladesh	11.0	22.0	7.31
Somalia	2.5	na	na
Tanzania	1.8	18.8	8.8
Kenya	4.5	36.75	13.58

Source: World Bank Data, World Development Indicators, 2004.

\* na-not available

Indonesia, the worst affected country, is also the most indebted country whose debt amounts to US\$ 130bn, which is also 80 percent of the country's GNI. The country has to pay 25 percent of its export earnings as debt service. Sri Lanka, another severely affected country, also has a huge amount of foreign debt which accounts to 47.14 percent of the country's GNI, and the country has to pay 10 percent of its total export as debt service (Table-5). Thus even a debt moratorium for Indonesia and Sri Lanka will help them to pour more money in its rehabilitation and reconstruction programme and then recover from the disaster.

According to the former French Finance Minister Herve Gaymard, other affected countries in Southeast Asia and east Africa were not provided with the moratorium since they have a lower level of indebtedness and did not want their credit rating to be downgraded on international financial markets. Accordingly, despite

the substantial foreign debt (see Table-5), India, Malaysia and Thailand had indicated that they would not seek repayment suspensions since accompanying conditions could make it harder or more expensive to obtain credit from international financial markets.

Debt relief, in fact, is a boon for the affected countries since this helped the donors to contribute money more directly to the government budgets.<sup>146</sup> The alternative is for governments to borrow from international financial institutions or private capital markets, increasing their indebtedness. However, as informed by Mr. Gaymard, all these debts were not scandalous debts and excluded obligations to international financial institutions. Nevertheless, on 14 January 2005, one day after Paris Club announcements, the International Monetary Fund agreed to delay US\$113.5m in Sri Lanka's debt repayments to the fund in 2005, following Sri Lanka's request for this extension.<sup>147</sup>

### 5.3. Conference Diplomacy at Regional Level

At regional level one can find conference diplomacy at work. Regional organization like ASEAN (Association of Southeast Asian Nations) responded promptly to the disaster convening emergency meeting of the regional forum to device ways and means to deal with the situation. The Tsunami hit both the countries of South Asian and South East Asian regions. While Southeast Asian regional organization ASEAN responded vigorously, South Asian regional organization SAARC (South Asian Association for Regional Cooperation) failed to meet the emergency by taking any significant

<sup>146</sup> See, Simon Maxwell and Edward Clay, "The Asian Tsunami: Economic Impacts and Implications for Aid and Aid Architecture", *Opinions*, No. 32, London: Overseas Development Institute, January 2005.

<sup>147</sup> *The Bangladesh Today*, IMF Delays Lankan Debt Payments for 2005. 15 January, 2005.

initiative. This only revealed the organization's structural weaknesses and lack of vigour.

### 5.3.1. ASEAN's Response: Timely and Vigorous

ASEAN responded vigorously and poignantly to the devastation of the disaster. Since four of its members – Indonesia, Malaysia, Myanmar and Thailand were affected in the Tsunami, ASEAN responded very quickly by calling a special meeting at Jakarta on 6 January 2005<sup>148</sup> where leaders of member countries assembled together to consider the impact of and response to Tsunami disaster. The meeting was also participated by the heads of state and senior officials from nations providing assistance that included India, China, Japan, Australia and the United States. The heads of international organizations were also present that included the Asian Development Bank, World Bank, International Monetary Fund and the UN.

In the meeting, the ASEAN leaders resolved to respond at three fronts – a) emergency relief, b) rehabilitation and reconstruction, and c) prevention and mitigation. For emergency relief, the leaders had agreed to mobilize additional resources to meet the emergency relief needs of the victims. They requested the UN to establish a “standby arrangement” at the global level for immediate humanitarian relief efforts and to appoint a Special Representative of the UN Secretary-General to appeal to the international community for humanitarian aid.

For reconstruction and rehabilitation, the leaders of the ASEAN countries called on the international community, in particular the donor countries, the World Bank, ADB, the Islamic Development Bank, European Investment Bank, and related financial institutions

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<sup>148</sup> The meeting was convened by the President of Indonesia General Susilo Bambang Yudhoyono.

to provide the necessary fund for the viability and sustainability of the national rehabilitation and reconstruction programs.

For prevention and mitigation, the ASEAN leaders stressed the need for a regional early warning system on the Indian Ocean and the Southeast Asia region. The President of Indonesia called for revitalizing the ASEAN Regional Program on Disaster Management and formulating an action plan for the establishment of an ASEAN Security Community that will provide for coordinated use of military and logistics in rescue and relief operations.

In brief, the response from the ASEAN was timely and vigorous, and it had been able to take appropriate decisions regarding the relief, rehabilitation and reconstruction effort. Their resolve to establish a regional Tsunami early warning system had been applauded by the affected countries and by the world community. Such an initiative is expected from a regional organization like the ASEAN.

### 5.3.2. SAARC's Response: Revealing Structural Weaknesses

SAARC's response, on the other hand, was very limited and inadequate. SAARC responded immediately after the disaster by postponing the 13<sup>th</sup> SAARC Summit scheduled to be held on 7-9 January 2005, in Dhaka, Bangladesh, on the request from Sri Lanka that it would not be able to attend the Summit. Though four member countries of the SAARC i.e., India, Sri Lanka, Maldives and Bangladesh had been affected, the regional organization could not take any visible initiative to respond regionally to the disaster. While it is understandable that SAARC as a regional organization neither has the strength nor the commitment equivalent to ASEAN, nevertheless, the association could have organized an emergency conference as ASEAN did to work out the ways to respond to the disaster. However, the member countries of the association could come to a consensus that the Tsunami disaster and the early warning

system would be included in the Agenda of the 13<sup>th</sup> SAARC Summit.

#### ***5.4. Individual Countries' Responses and Disaster Assistance Diplomacy***

The Asian Tsunami, to some extent provided an opportunity to certain countries to take advantage of the situation and ascertain their position in the international arena. The United States, the sole superpower, which has been facing serious image crisis due to its war in Afghanistan and Iraq, has aptly made use of the disaster situation to show its human face to the world and particularly to the Muslim community of both the affected countries and of the world. Another country, which in recent times, has been aspiring for global status and also consider herself as a regional power that is India, made timely efforts to express its competency of taking responsibility of a major power status. These two countries, viz. the United State and India's responses, and their further diplomatic implications are analysed below.

##### **5.4.1. United States: The Superpower's Response**

The United States, the lone superpower, responded late to the disaster. President George W. Bush waited three days before commenting publicly on the disaster, in the process drawing flak from all corners including the United Nations.<sup>149</sup> This late response initiated debate about the richest country's reaction to the devastation in South and South East Asia.

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<sup>149</sup> On December 27, UN emergency relief coordinator Jan Egeland had criticised wealthy nations for "stinginess".

On the other hand, America's aid appeared niggardly (starting with US\$ 15m to US\$ 35M and finally ends up at US\$ 350m<sup>150</sup>), especially when compared with the amounts offered by countries with a fraction of America's economic wealth (see Table-3).<sup>151</sup> This was reflective of the fact that the world's richest country was in general the most miserly in foreign assistance- all the more so in comparison to the amount it spends on war and defence.<sup>152</sup>

Some analysts of international politics are of the opinion that the Tsunami disaster provided an opportunity to the United States to appease the Muslim World to show their human face since most of the affected countries were Muslim majority countries. The US former Secretary of State Collin Powell in his speech in the Jakarta Summit held on 6 January 2005, also spelled out the same intention that, "...It does give the Muslim world ... an opportunity to see American generosity, American values in action....And I hope that as a result of our efforts.... that value system of ours will be reinforced."<sup>153</sup> But in Aceh, where Indonesian Islamist groups were

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<sup>150</sup> Part of the US\$ 350m had been channelled as bilateral grants and some through multilateral institutions, in addition to the cost of relief work being undertaken by US military forces.

<sup>151</sup> Lightly populated Australia offered more than twice of America, Japan promised almost 50% more, and Europe pledged more than five times as much

<sup>152</sup> The White House has so far requested roughly US\$100bn for the occupation of Iraq in FY 2005, which translates to about US\$ 8.3bn per month, or over US\$270m per day. Further, the US military budget requested for FY 2005 was US\$ 420.7bn – double that of China, Russia, the UK, France and Germany combined. See SIIPRI Yearbook 2005.

<sup>153</sup> Mr. Powell even mentioned that the begrudging and belated funding offered by Washington to the ongoing relief effort is all part of its "global war on terror". Speaking of US aid and military participation he declared: "It dries up those pools of dissatisfaction that might give rise to terrorist activity. That supports not only our national security interest but the national security interests of the countries involved."

giving relief, some Muslims had denounced America's help as cynically motivated. The deep-rooted anti-American feeling among the Muslims of the world has its origin in the war in Iraq, the Global war on terror, and the way it is being prosecuted, the visa and immigration regulations and lots of other things. The humanitarian effort by US could substantially improve the U.S. image to the Muslims of the world but only temporarily because the factors causing that negative image have not all gone away. This humanitarian relief effort would not wipe out every thing that is causing distress with U.S. government policies.

#### *Formation of Core Groups: US's Desire to Lead*

The US response to the Tsunami disaster was also characterized by the formation of a Core Group of Nations by the USA on 29 December 2004, comprising – the USA, Australia, Japan and India with Canada and the Netherlands added later – to spearhead and coordinate relief efforts. These were the countries with significant military assets in or near the disaster zone. However, one important fact was that China – a major power in the region – had been excluded. One explanation may be that Japan, Australia and others are long-term US strategic allies whereas US-China relations are characterized by that of mistrust and suspicion.

Beginning the evening of 29 December 2004, senior officials representing each country in the Core Group held a daily conference call to discuss the initial relief effort. In addition to coordination, the Core Group identified gaps and made plans to fill them. Some observers of international relations called it “*an interesting new kind of diplomacy.*” Nevertheless, in the first week of January 2005, the Core Group took itself out of the business, turning over the medium and long-term relief effort to the UN at the 6 January 2005, meeting in Jakarta.

The formation of Core Group and entrusting it with the responsibility of relief coordination largely thwart the relevance and competency of the United Nations in coordinating the relief efforts. In Kofi Annan's assessment, the group consisted of a few countries “*which have assets in the region, military or otherwise*” and they “*came together to support the relief effort*” in the immediate context of the Tsunami strike and had sought to convey that the Core Group's mandate was humanitarian in scope. However, USA afterwards realized that coordination of relief efforts will only be possible and acceptable to the world community if it is conducted by the world body i.e., the United Nations.

#### 5.4.2. India's Responses: Global and Regional Aspirations

It is interesting to note that despite suffering a great loss of life and being in need of Rs. 7,500 crores (US\$ 1.66bn) for relief and reconstruction, India not only declined to accept any foreign assistance for relief efforts at home but was the first to deploy huge resources in the affected neighbourhood. The Government announced that it was not seeking any outside help with immediate relief. In the words of Indian Prime Minister Mr. Manmohan Singh: “several countries had offered assistance, but [...] we have enough resources and would be happy to receive assistance when needed.” New Delhi's message to the international community undoubtedly enhanced its posture as self-reliant nation without ‘aid seeking mentality’ but in some quarters Indian's stand was largely criticized and was seen as a move to be recognized as a regional power and a claimant for a permanent seat in the United Nations Security Council (UNSC).

#### *Relief Efforts at Home*

After few days of the disaster, the Indian Prime Minister declared a total of Rs. 700 crore (US\$ 155m) for its disaster affected

Tamil Nadu, Andhra Pradesh, Kerala, Pondichery and Andaman and Nicobar Islands. As a World Bank report acknowledged, the Government of India had been highly effective in immediate relief and recovery, including disposal of bodies, disinfection and vaccination, provision of food, water, and emergency shelter, and sanitation and clearing of debris.<sup>154</sup> Significant funding has been raised from the public, especially through an appeal launched by the Prime Minister. Within two weeks of the disaster, the Prime Minister's relief funds had received donations of about US\$ 80 million.<sup>155</sup> An ex-gratia payment of Rs 1.00 lakh (US\$2,222) had been announced to the next of the kin of the deceased from the PM National Relief Fund, in addition to the assistance available from the National Contingency Relief Fund.

However, though India denied bilateral aid or grants, it asked for grants and concessional credits from multinational institutions like the World Bank and the ADB. On January 10, 2005, the Government of India wrote to the World Bank and to ADB asking for support for rebuilding infrastructure, both public and private, for the rehabilitation of livelihoods of those affected, and in developing disaster prevention and management systems for the future. An identical request was addressed to the UN (under the coordination of UNDP) on January 12, 2005. The Government of India also asked multilateral institutions to explore mobilizing funding from bilaterals on a grant basis, to be channeled through multilateral agencies, probably through trust fund arrangements of ADB and WB. In response to these, the World Bank, ADB, and UNDP had jointly prepared a need assessment of US\$1.2 billion for post-Tsunami

short-term and medium-term reconstruction and rehabilitation program for India.<sup>156</sup>

#### *Declaring Aid for other Affected Countries*

India not only denied international aid but moved a step forward by declaring relief assistance to Sri Lanka and Maldives, and even to Indonesia and Thailand. The Prime Minister of India announced Rs 100 crore (US\$ 22.2m) composite relief package for Sri Lanka, Rs 5 crore (US\$ 1.1m) for Maldives, and a composite relief package worth half-a-million USD for the least affected Thailand. It had announced a composite relief package of US\$ 1 million for worst affected Indonesia and also proposed extending concessional lines of credit for reconstruction in Aceh. In the words of Veena Sikri, High Commissioner of India to Bangladesh, "India's response in the face of this crisis demonstrates that we have both the national will as well as the resources to meet this unprecedented challenge."<sup>157</sup>

#### *Rapid Military Deployment for Disaster Assistance*

India, responded very quickly to the Tsunami disaster by providing the largest relief operations ever, involving approximately 16,000 troops, 32 navy ships, 41 aircrafts, and several medical teams and a mobile hospital (see table-4). Indian armed forces were the first to reach Sri Lanka and the Maldives, and initiated the relief operations by "*Operation Rainbow*" to Sri Lanka and by "*Operation Castor*" in Maldives. The Indian military reached Indonesia by day 4

<sup>154</sup> World Bank, *World Bank Response to the Tsunami Disaster*, Feb 2, 2005.

<sup>155</sup> Fareed Zakaria, Amid Disaster, How India Makes a New Beginning, *The Bangladesh Today* of 16 January 2005.

<sup>156</sup> ADB, UN and WB, *India Post Tsunami Recovery Program: Preliminary Damage and Needs Assessment*. New Delhi, India, March 8, 2005, p. 9.

<sup>157</sup> See, the Special Supplement published with the renowned Bangladeshi Dailies on the occasion of the 51<sup>st</sup> Republic Day of India.

(on December 29, 2004) and initiated relief operation to worst affected areas by “*Operation Gambhir*”.<sup>158</sup>

All these moves by India are clear demonstration of its regional and global ambitions, and the role it seeks to develop in the region and in global context.

### **5.5. Donor Diplomacy and Domestic Politics within Affected Countries**

Diplomacy and politics surrounding Asian Tsunami at the national level involved the separatist movement in the Aceh province of Indonesia, and the decades’ long ethnic conflicts in Sri Lanka. It also involved a test of the effectiveness of the donor countries and agencies to broker peace in Indonesia and in Sri Lanka as a condition of aid.

#### **5.5.1. Ethnic Conflicts in the Aceh of Indonesia and in Sri Lanka**

The worst affected areas of Indonesia and Sri Lanka had also been the one’s troubled by longstanding separatist movements and prolonged ethnic conflicts. The political problems in these worst affected countries raised the diplomatic concern regarding the donor’s role in brokering peace since the international community for long demanding resolution of these conflicts. There was also significant concern that whether and to what extent, these conflicts related political issues will hinder the relief and reconstruction efforts in the rebellious areas.

Governments in Indonesia and also in Sri Lanka were constantly accusing the rebels in respective areas for impeding the relief efforts by both the government agents and the international community. The

conflict ridden areas of Indonesia and Sri Lanka are controlled by the rebels. In some areas, they hold complete authority, and the government troops do not have access in those areas. Thus, it became difficult for the government agents to provide emergency relief to the suffering people. On the contrary, the Free Aceh Movement (GAM) leaders in Indonesia and the LTTE – Liberation Tigers of Tamil Eelam – leaders in Sri Lanka were claiming that the Government had discriminated relief distribution and rehabilitation work. They maintained that the government’s relief had not reached the conflict areas and in the process only the poor people had to suffer.

International community too persistently blamed both the governments and the rebels that their infighting and conflict blocking the emergency relief efforts by international relief and humanitarian organizations. It was reported that transport vehicle loaded with aid frequently had to halt on their way to the affected areas for hours due to the fire fight between the government troops and the rebels. The international relief agents and the NGOs had demanded for reduction of government troops in the rebellious areas to trim down the likelihood of conflict. But the concerned governments were suspicious and anxious about military withdrawal on the belief that the rebels may seize this opportunity to destabilize the government and be successful in their movement.

On the other hand, governments in Indonesia and Sri Lanka tried hard to exploit the disaster situation to stigmatize the warring people in their respective countries, as the latter blocking aid work in conflict areas. Governments, in fact, were trying to raise the concern of the international community and thus persuading them to stand beside them to crush the movement. The rebels, on the other hand, were accusing the government of using the disaster as a pretext for sending government troops into the rebel-controlled areas and increased military strength where it had already existed.

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<sup>158</sup> Kalsoom Lakhani & Prमित “Mitra, Tsunami Disaster’s Diplomatic Implications”, *South Asia Monitor*, No. 79, Feb. 1, 2005, South Asia Program, Center for Strategic and International Studies (CSIS).

### 5.5.2. Could Donors Broker Peace in Indonesia and in Sri Lanka?

After the Tsunami, it was hoped that the mutual losses and the need to work together in the relief and reconstruction will help resolve bloody separatist movements in Indonesia and in Sri Lanka. It was also hoped that Tsunami aid might have provided an opportunity to the international community to exert pressure upon the respective governments to renew the peace efforts with the GAM leaders in Indonesia<sup>159</sup> and with the secessionist Tamil Tigers in Sri Lanka.

GAM separatists and Indonesia's government made conciliatory gestures after the Tsunami even unilaterally declaring a cease-fire by the rebels to help aid workers in providing relief to Tsunami victims. They made a "gentlemen's agreement" to expedite the relief effort and foreign aid workers gaining access to areas previously closed off. Peace talks were expected to resume shortly, but since the devastation both were accusing one another of initiating several clashes as their three-decade-old conflict drags on. It has been difficult to fix the problem since the grievances of the Acehnese are deeply embedded in Indonesia's political landscape, including the economic interests of politico-businessmen, the localized power of a recalcitrant military, and the extreme pluralism and division that mark the polity.

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<sup>159</sup> The war between the Indonesian military and the Free Aceh Movement (GAM) has raged for more than two decades. A ceasefire negotiated in 2002, with the involvement of former general Anthony Zinni as US representative, was brutally broken by the military in May 2003. The Indonesian military is a virtual state within a state and is unaccountable for its human rights violations in conflict areas. It is doubted that after its war of ethnic cleansing against East Timor concluded with independence following diplomatic intervention, the military was determined not to lose Banda Aceh.

Nevertheless, very discretely, talks began between the government of Indonesia and the GAM rebel fighters with a mediation by the former Finnish President Mr. Marti Ahtisaari. These talks led in mid-August of 2005 to a landmark Memorandum of Understanding (MOU).<sup>160</sup> Under the agreement, the Aceh rebel fighters agreed to give up their armed struggle for independence and demobilize itself. In exchange, the Indonesian government offered far-reaching autonomy for Aceh and an amnesty for the GAM fighters.

In case of Sri Lanka, it is disappointing that even the massive destruction could not sweep away the culture of political violence, ideological hostility, personal rivalry and mutual suspicion built up over many decades. Both the government and the Tamil Tigers had squabbled over the international aid. The government wanted all donor assistance, including that portion which would go to the areas under LTTE control, to be channelled through Colombo, whereas the LTTE was making a strong bid to get the funds directly. The donors were also interested in the process of aid disbursement, and recognized aid as their leverage to effect a real lasting peace. But the prospect is dim since the Tamil Tigers had been so far insisting on resuming talks only on the basis of the Interim Self-Governing Authority proposal submitted in October 2003, which was implacably opposed by the nationalist Marxist People's Liberation

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<sup>160</sup> The deal was signed in Helsinki, Finland, on August 15, 2005, and is expected to call for some 50,000 Indonesian troops to withdraw from Aceh and for 5,000 guerrillas to lay down their arms under an amnesty. The accord also breaks a political logjam by allowing representatives of the Free Aceh Rebels (GAM) to participate in local elections. The EU and five ASEAN countries namely Brunei, Malaysia, Philippines, Singapore and Thailand formed the Aceh Monitoring Mission (AMM) to oversee the implementation of the MOU that guides the peace process.

Front, or JVP, the former coalition partner of former President Chandrika Kumaratunga.

The Presidential Election in November 2005 and, the election of Mr. Mahinda Rajapakse as the new President of Sri Lanka have transformed the whole scenario of peace negotiation, rendering a setback to the peace processes since he is believed to be a follower of hard line approach towards resolving the country's ethnic conflict. After the latest bomb attack in the army headquarter in Sri Lanka in April of 2006,<sup>161</sup> the government and the LTTE had plunged into a renewed conflict and now the government is struggling to survive the renewed threat of suicide bombing from the LTTE side. As an observer remarked, the situation now on the ground bears somewhat similarities to the days of conflict before February 2002.<sup>162</sup>

## 6. Conclusion

Though the number of loss of human life, homelessness and displaced populations were very high, the macroeconomic impact of the Asian Tsunami is limited and marginal as was envisaged earlier. The devastation was largely confined to rural underdeveloped areas, except some tourist destinations rather than important economic and densely populated urban centres and industrial hubs. But the economic impact has been felt severely at the local and community levels which pushed thousands of poor people into deeper poverty. South Asian areas dependent on tourism dollars are likely to suffer extensively as estimates of financial damages reached into the billions.

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<sup>161</sup> On 25 April of 2006 a suicide bomb attack occurred in the army headquarter in Sri Lanka killing ten people and injured twenty-seven. The army Chief of Sri Lanka Lt Gen Sarath Fosneka was seriously injured.

<sup>162</sup> P. Liyanage, "Sri Lanka: War Amid the Ceasefire?" *BBC News*, 27 April 2006. Available at <http://news.bbc.co.uk> accessed on 5 May 2006

The Maldives and Sri Lanka on account of their small geographical size, structure of their economies and large fiscal deficits have been the most adversely affected countries. The impact on Indonesia is likely to be trivial as the oil and natural gas facilities survived unaffected. India and Thailand could post higher GDP growth rates than originally forecast for the reconstruction efforts.

The damages to the environment will take a long time to recover. The main damage is being caused by poisoning of the fresh water supplies and the soil by salt water infiltration and deposition of a salt layer over arable land. In the longer term, the reconstruction process might have significant impacts on the environment. For this it would be better to integrate environmental protection and management with economic development in the region.

Furthermore, the Tsunami disaster urgent relief operation became a diplomatic trial of strength among several strong and formidable countries, and certain big powers used disaster relief to extend their influence and win international friendship. The contributions come from countries to UN, provide the UN an opportunity to prove itself capable of making a real difference in improving peoples lives and livelihoods, thereby to demonstrate its unique position and continued relevance particularly in an age of pronounced demands for its reform.

India and Thailand's denial of international aid are praiseworthy since it reveal their self-reliance rather than aid dependent mentality. But questions do arise about their competence to cope with the situation. As for instance, after denying foreign aid groups' entry to the Andaman and Nicobar Islands, the Indian Government according to press accounts, took four days to bring in food, and then left the first shipment on a broken jetty difficult for survivors to reach. In case of Thailand, which had rejected international emergency aid, the government had reportedly not been helping the thousands of

Burmese migrants living in Thai coastal areas, and made homeless by the Tsunami. Nevertheless, India's refusal of aid for the Tsunami disaster has been both polite and reasonable, which is a gentle reminder to the world of India's prospect as a permanent member in the UN Security Council.

The unprecedented military deployment in the disaster area was, however, not a happy incident. In Indonesia, many Muslims were not happy since they could not ignore the fact that the same US military that invaded Iraq and Afghanistan is now engaged in its largest operation in South Asia since the Vietnam War. Doubts were mounting about the real intention of the US. In Thailand, Indonesia and Sri Lanka such doubts were standing in the way of aid effort. The Sri Lankan leftist party, the New Left Front (NLF) leader Dr. Vickramabahu Karumarathne stated that it was totally unnecessary to commit troops for relief work and condemned the US move as forwarding its own agenda of gaining a foothold in Sri Lanka and exploit its strategic location under the cover of relief and rescue operations.

Regarding peace in conflict ridden areas of Indonesia and Sri Lanka, the case of Indonesia fulfilled the expectation that Tsunami had been supportive of effecting a peace agreement between the government of Indonesia and the GAM fighters. The case of Sri Lanka is different as it is found now a days. The peaceful solution to the conflict in Sri Lanka seems remote and, as some scholars are of the opinion that the break-up of the country is inevitable, which is only a matter of time.

Finally, it is to be noted that after the Asian Tsunami and the accompanied devastation there has been a renewed interest and vigour in the disaster management effort and coordination among the policy makers and leaders of the world. At the global level, the world organizations are at the moment vigorously committing itself to the

worldwide efforts in disaster management in general and Tsunami disaster management in particular. The UN education and scientific agency (UNESCO) are organizing and coordinating global efforts to build a worldwide early warning system that would warn against Tsunamis as well as other natural disasters like floods, typhoons, hurricanes and volcanic eruptions. It hopes to have such a system in place by 2007.<sup>163</sup>

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<sup>163</sup> James Brooke, "U.S. Vows to Attain Global Warning System", *The New York Times*, 20 January 2005.

Annex - 1

**Tsunamis in South Asia**

Date	Location
1524	Near Dabhol, Maharashtra
02 April 1762	Arakan Coast, Myanmar
16 June 1819	Rann of Kachchh, Gujarat
31 October 1847	Great Nicobar Island
31 December 1881	Car Nicobar Island
26 August 1883	Krakatoa volcanic eruption
28 November 1945	Mekran coast, Balochistan

Source: Amateur Seismic Centre, India. (<http://asc-india.org/menu/waves.htm>)

**Annex - 2**

**The Death Toll of the Asian Tsunami**

Country	Death	Missing	Total Casualties
Bangladesh	2		2
East Africa	164*	139**	203
India	12,407	3,874	16,281
Indonesia	131,029	37,000	168,029
Malaysia	69	5	74
Maldives	82	26	108
Myanmar	61		61
Sri Lanka	38,940***		38,940
Thailand	5,395	2,817	8,212
<b>Total</b>	<b>188,149</b>	<b>43,861</b>	<b>232,010</b>

Source: Relief Web. <http://www.reliefweb.int>

\*Figure includes Kenya, Seychelles, Somalia, Tanzania and Madagascar

\*\*Figure for Somalia only

\*\*\*Sri Lanka has now combined the figures for its dead and missing into one figure for dead and presumed dead and missing.





