



CHINA, INDIA AND GLOBAL CHANGE Heinrich Kreft

Historically speaking, power shifts between states or regions are rare, and where they have occurred they have seldom been peaceful. Look no further than Europe for ample evidence of this. It is thus to be feared that the power shifts underway in the international system may not remain peaceful, since they require a balance between interests and politico-cultural traditions that could scarcely differ more. This is primarily because the populous states of Asia – China and India – that are now demanding a greater role in global politics, have started challenging the existing international order dominated by the Euro-American 'west'.

POWER SHIFTING

THE NEARLY SIMULTANEOUS arrival of China and India – Chindia – at the front of the world stage represents a shift in global affairs with few parallels in history.

Some commentators have rightly compared it to a watershed event such as the discovery of the New World.

In just a few years China has moved from the periphery to the centre of international economics and politics. The country is growing stronger not only in economic but also in political terms. While China's foreign policy mainly focuses on east and South-East Asia, Beijing is also showing a growing interest in other regions such as Central Asia, the Middle East, Africa and even Latin America. India's economic transformation is at an earlier stage, but it is accelerating and could even overtake China as the world's fastest-growing

major economy in the next fifteen years.

The impact of China's and India's rise can be felt everywhere. Their ascent – and thus Asia's as a whole – has just begun and if the two giants remain internally stable their growth is likely to continue for a considerable time. The two countries' economic and political rise will probably be unstoppable from the outside in years to come – should anyone want to stop it – and so it is high time to study its potential consequences for the international system as we know it.

DRIVING CHANGE

The rise of both China and – increasingly – India is creating enormous socio-economic adjustment pressure in both the industrialised world and developing countries. With 83 million workers, China's industry employs roughly as many people as the principal Organisation for Economic Co-operation and Development countries taken together. And more crucially for future development, there is an even bigger reserve army of potential workers who have or are acquiring comparable skills,

so it is unlikely that China's average labour costs will rise rapidly.

China is producing four hundred thousand qualified engineers every year, in comparison to just forty thousand coming from Germany. Even though the average skills of a Chinese engineer are still inferior to those of his or her counterpart in Europe, North America or Japan, the pressure is also being felt ever more by high-tech industries outside China.

The People's Republic of China is already the world's largest producer of personal computers and other apparently more sophisticated products. China is well on its way to becoming an advanced technological super-state, able to compete globally not just at the labour-intensive end of the product spectrum, but also in capital- and technology-intensive sectors. European and other western companies are already competing against Chinese companies, often those with state backing, on African infrastructure projects and the market for machine tools in Latin America to name but two examples.

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Even more important is the protection of intellectual property rights. According to some rough estimates as many as seventy percent of all pirated products are counterfeited in China, causing huge losses to predominantly western companies. India's high-tech miracle is still gathering momentum, but Indian technology is more often at the cutting edge, not only cheaper than western products, but often better as well.

China's and increasingly also India's impact on the industrial sectors of other parts of Asia, Latin America and Africa is at least as great. Many low-skilled manufacturing jobs in Central America and South-East Asia have been lost to superior competitors from China and India, and, for example, Africa risks losing its only industrial sector of importance - the textile industry.

RESOURCE HUNGRY

According to the International Energy Agency, China accounted for under a tenth of global petroleum demand, but slightly more than one-third of incremental world oil consumption between 2002 and 2004, contributing materially to upward price pressure in global markets. Similarly, China is the world's leading importer of iron ore, aluminium, and paper and pulp, and drives marginal global demand growth for copper, steel, and cement.

This rising demand for the energy and natural resources that China and India need to fuel their dramatic growth is leading the two countries to intervene ever more in various areas of world politics. Both are pursuing active strategies to secure energy sources and raw materials in Central Asia, the Middle East, Australia, Africa and Latin America and even in Canada. In the process they are competing with the United States and Europe.

EMISSIONS GROWING

China and India are now also world players with a measurable impact on the global biosphere. Because of their sustained high growth, both have joined the industrialised nations as major polluters of the local and global environment. By 2015 China's energy demand is expected to roughly double, India's is to rise by fifty percent. China is already the world's second largest emitter of climate-altering carbon dioxide, while India ranks fourth.

In comparison with Europe, the US and Japan, China and India have contributed little to the heightened carbon dioxide concentrations now in the atmosphere. However, their emissions have increased by 67 and 88 percent respectively since 1990, and their shares

in world emissions are projected to grow steadily in decades to come, making it clear that no serious solution to the world's climate problem is possible without their active participation.

To meet rising electricity needs, China is said to be planning the construction of five hundred new coal-fired power plants over the next thirty years and India about two hundred and fifty. China and India also have large nuclear energy programmes, building up to thirty nuclear plants over the next two decades. These will of course produce no greenhouse gases, but are problematic for other reasons.

UNDERMINING WESTERN POLICIES

Led by its economic interests, China has developed the closest relations of any major power with a number of pariah states such as Zimbabwe, Sudan, Burma - or Myanmar, North Korea and Uzbekistan, and until recently Saddam Hussein's Iraq. UN sanctions against some of these countries have been undermined by China.

The large currency reserves held by China allow the Beijing government to offer loans to African countries, such as Angola, and other developing nations on favourable terms and without insisting - as for example European state lenders do - that these countries accept social, environmental, human rights or general good governance conditions. If China continues with such policies, it will prove even more difficult in future to implement and establish universally binding human rights, as well as social and environmental standards.

China seems to be becoming a 'soft power' as well. Over the past 25 years the country has fashioned a very successful, extremely flexible, model for development and societal modernisation, which is embedded in Asian traditions. It combines modern but authoritarian political leadership with state-guided capitalism. This is highly attractive in some parts of the developing world and reduces the influence of the competing western principles of liberalism, democracy and the free market. The 'post-Washington Consensus' is being challenged by a 'Beijing Consensus'.

The thinking of political actors in China and India is very much dominated by traditional concepts of sovereignty and the nation-state, even though both like to be seen to be heralding multilateralism. In this respect Chinese and Indian leaders may have something in common with some representatives of US President George Bush's administration, but they are still a long way from the European approach of delegating

sovereignty to a supra-national body and from the concepts of effective multilateralism and humanitarian intervention so dear to many Europeans, Canadians and other westerners.

UPSIDE DOWN

If China and India can continue to grow at their current rapid rates, which is likely although not guaranteed, given the huge challenges both countries face, the global order will be turned upside down. The longer their growth continues, the less likely the current international architecture based on western dominance under the quasi-unilateral leadership of the US will last for long.

The international architecture of the future will be more multilateral with a number of different centres of economic and political power. Many Asian countries are already bandwagoning with China after Beijing started reaching out to its neighbours. As China's influence continues to grow, some of these countries are looking to Beijing for regional leadership or are at least attaching greater importance to China's positions and sensitivities.

Beijing's engagement in regional diplomacy in Asia puts it increasingly at the centre of all regional issues, bilateral and multilateral, this presents a growing challenge to the position of the US in Asia, for so long the guarantor of peace and development in the region. This new rivalry and the resultant jockeying for power and political dominance are likely to create the basic line of conflict that will characterise the international system for decades to come. Some observers have drawn parallels with the bloc confrontation that dominated the Cold War and with the conflicts between European powers that led to the First World War.

The crucial question is whether the west - led by the US and Europe - will find a way and the political will to integrate China and India gradually into a system of effective multilateralism, or whether the new order will emerge as a result of uncurbed competition for power. The latter path could lead to new instabilities, conflicts and continuing turbulence.

The international community needs to recognise the pivotal roles that China and India are going to play in this century. It is in the west's interest to involve these aspiring Asian heavyweights in a fair and rule-based international system. The colossal shift in global geo-economics and geopolitics that is unfolding before our eyes is an opportunity rather than a challenge, for this is the path that holds the greatest prospect for a stable and peaceful future.

