

## Integrating a Rising China and India

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We face two challenges in thinking about how to integrate a rising India and China in to the global management system: the shift in overall world power and economic weight toward Asia, and the shift in power within Asia, as India becomes a much stronger player and China continues its rise on the regional and world scale. The two trends are closely connected, but I will focus mainly on the second.

To start with, let us consider where both countries now stand. China has surged ahead in the past two decades. Its economy already operates on a global scale, and is likely soon to be the second largest in the world. It has global recognition of its status as a major power. It has a permanent seat on the UN Security Council, and its nuclear weapons are recognized by the Non-Proliferation Treaty. It is now in the WTO, playing a more assertive role. It has the world’s largest army. It has always been one of the major players in Asia. In recent years, it has emerged as more of a power broker, as can be seen especially in the role it is playing in Korea. China has a major role in southeast Asia as well.

China is also, as we have heard, vulnerable. Domestically, it is preoccupied with internal stability, the rule of law is weak, and it lacks transparency, as we saw with devastating effects in recent epidemics and in its handling of HIV/AIDS. Its need for energy is going to be a factor both in its economic policies and in its international relations. Internationally, Taiwan is China’s main unfulfilled ambition, with a risk of hostilities that could both affect the region and change the relatively smooth way in which China is working with international institutions.

India’s rise started later, and has not reached the same point. Economic growth began to speed up in 1980s. Market reforms from 1991 onward, together with the economic troubles faced by some of the successful southeast Asian countries, propelled India into the ranks of the world’s fastest-growing countries. Most observers expect India’s growth to continue at a high pace, at least 7 percent per year.

India’s nearly sixty-year history of democratic governance and democratic change gives it a unique standing in the world. From the point of view of India’s perception as a power, it has advantages and disadvantages. It is harder to make economic policy changes in a democratic system; however, once the change has been put in place, it has greater staying power than might be possible in an autocratic government. India’s strengths include rule of law, a contracting and legal system that are similar to those used

in the Western world. These add up to an advantage in what one observer referred to as “soft infrastructure.” Looking at its economic progress, India’s services economy is already global; manufacturing is now moving ahead. India is a longtime member of GATT and the WTO, although multilateral trade negotiations have often been a point of contention between India and its international friends. India has the world’s second largest army

India does not have the kind of global recognition China has, and wants to remedy this. Its interest in a permanent seat on the U.N. Security Council is one example; so is its regular appearance as a guest at the G-8; so is agreement on civil nuclear cooperation that India and the United States are in the process of implementing. India is developing a new security relationship with U.S. India’s response to the Indian Ocean Tsunami two years ago called attention both to the capability of its military and to the way it could act in harmony with both regional and more distant countries.

India’s vulnerabilities start with serious domestic problems: the continuing burden of poverty, the lag in agricultural development, the very uneven development of its “hard” infrastructure, and the wide differences in economic and social development between India’s states. Internationally, its biggest vulnerability lies in the unresolved problems with Pakistan. India has begun paying more attention to its neighbors to the East, but its institutional connections with East Asia are still thin, and it is still not a full participant in the larger Asian regional scene.

Against this background, how should we be thinking about the integration of a more powerful India and China into the way global affairs are managed? Let me look at this under four headings.

The first is economic. India’s and China’s future economic progress will largely be determined by their own economic policies, and in India’s case by the activities of an increasingly vigorous private sector. But we can be sure that they will grow. They are already part of the system, and capable of exerting substantial influence in such institutions as the WTO. The big question for the U.S. and Europe is how their growth will change the dynamics of the WTO and other economic institutions. Their rise was not the cause of the troubles with the Doha round, but it will affect our ability to deal with this and other international economic challenges.

Second, security. The Indian Ocean carries over half the world’s energy trade, and India and China are the two most rapidly growing energy markets in the world. So the Indian ocean is where economics and strategy will meet. In the immediate future, they want to cooperate (though their rivalry in the new Great Game of diversifying energy sources is sometimes ill disguised). But in another 10-20 years, will China be expanding its presence in the Indian Ocean, and how will this affect India, and beyond it the United States and Europe?

More generally, both China and India have been building up military power. The U.S. and European countries have facilitated this for India. In my view, India’s military

buildup is not a problem unless you foresee a major future dispute with the U.S. China has been more of an issue, and will remain so. And this in turn brings up the issue of India-China relations. At the moment, the accent is on cooperation. If, as many suspect, China decides at some future point to establish a permanent military presence in the Indian Ocean, the stress could well shift toward rivalry, with unfortunate consequences for the region.

The third issue concerns the big disputes in which China and India are involved: Taiwan, and the India-Pakistan problems. Both have the potential for making the region and the world much more dangerous. I see little prospect of an early solution to the India-Pakistan problems, although at the moment both countries wish to keep talking. And management of the cross-Taiwan Straits issue depends critically on both Taiwan's and China's willingness not to articulate their ultimate hopes too clearly.

Finally comes the question of regional and global architecture. Most of the institutions for Asian regional cooperation are centered on East Asia. India is a dialogue partner of ASEAN, and a member of the East Asian summit; otherwise, it has no real role in these Asia-wide institutions. I would suggest that this ought to change, and that India needs to be more explicitly and institutionally brought into the process of maintaining harmony in Asia.

On the global scene, I believe a strong case can be made for including India on a permanent basis in the U.N. Security Council – but I seriously doubt that this will happen in the next ten years. Indeed, the United States, and I suspect at least three of the other permanent members, have no interest in expanding the Council, which effectively stops such an effort in its tracks. So if it is important to include India in the councils of global management – and I think it is – this will need to be done by other means. At the top of my list would be an expansion of the “G8” to include both India and China. This, taken together with the nuclear cooperation agreement the United States and India are now putting in place, will provide powerful incentives to participate responsibly in the conduct of global affairs. The stresses ahead will make this a difficult task. We need all the help we can get.

This conference was intended to look at the rise of India and China from a transatlantic perspective, so perhaps it is fitting to close with some thoughts on the role of U.S. in the Asia-Pacific region, and what this means for Europe. For the United States, the past ten years have been a time when Asia has assumed a steadily higher profile in both public and official perceptions of U.S. economic and security interests. This was borne out by a survey project in which I participated, recently released by the Chicago Council on Global Affairs. This same study emphasized something that may surprise some people, which is that in the Asian countries where the surveys took place, there is strong support for a continuing U.S. role in Asia. The United States was looked on as a country that played a constructive in the region, and in settling disputes there.

The U.S. wants to preserve this role; Indians appear to share this view. China has no interest in upsetting it in the short term, though the long term trends could be quite

different. For Europe, the principal interest in play in Asia is economic – in sharp contrast to the situation, say, before World War II. But the economic interest is growing in importance, and it has become ever more difficult to separate economic from strategic interests. One point on which the United States, India and the European countries all agree is that Asia should not be dominated by a single country. Thus, as we look at the changes in the dynamics of global management that result from the rise of India and China, I believe we need also to look at how these Asian giants will relate to Europe and the United States, and we need to recognize that our massive economic interests in Asia have become part of our national security picture.