

**MORE INDIA AND  
LESS CHINA  
GERMANY NEEDS  
A NEW POLICY  
ON ASIA**

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**Urs Schoettli**

Translated by Alfred Clayton

# **Preface**

## **Neither Rival Nor Stakeholder**

At the recent World Economic Forum in Davos, India demonstrated its self-confidence with the help of a giant poster on which beaming young Indian men and women proudly proclaimed that their country had the world's largest reservoir of talent. In 2011 something unexpected is going to happen, and it will be a quiet revolution. The World Bank has predicted that for the very first time India will have stronger economic growth than China.

This certainly does not mean that the subtle balance between the two Asian great powers is suddenly going to change. Thus the People's Republic of China is pursuing a global strategy that is not restricted to natural resources. For example, it includes giving financial aid to EU states overburdened by debt. India has not (as yet?) entered the fray. As far as Washington is concerned, its relationship with Delhi is not the same as its relationship with Beijing. The People's Republic of China and the United States may be rivals, but their interests are interwoven and intertwined. India, on the other hand, is neither a rival nor a "stakeholder" of the US. And that in fact is a good sign. A confrontation between India and the West seems unlikely. In contrast to this a tussle between America and China

across the Pacific is a real possibility, and perhaps it is the most dangerous one in the global politics of the 21<sup>st</sup> century.

And what are the Europeans and the Germans making of all this? They continue to be mesmerized by China's swift success, and for this reason many people have underestimated India's more laborious and yet more confidence-inspiring upward trajectory. The country is the largest democracy in the world. Its political system is based on the rule of law. It shares more values with the West than the People's Republic of China. And India has what the much-admired Beijing dictators tend not to have: the candour to talk about things which have gone wrong, and the willingness to discuss the subject of poverty and corruption.

Sooner or later China will be faced with a political caesura and all the uncertainties that it entails. Much seems possible: a gradual transition to democracy, rioting, or systemic collapse. India is different. It is the country of peaceful evolution. The political risks facing investors are much smaller. "How can one adequately assess economic and political risks in a country where, as in the case of China, there is unchecked one-party rule and totalitarian surveillance of the media?" asks Urs Schoettli, who is someone who knows both countries very well. He goes on to cast doubt on Europe's economic policies, which occasionally seem rather naïve.

Schoettli's nuanced and well-informed "case for India" is so convincing because it sets the record straight and points the reader in the right direction. In political and economic terms Germany and Europe have every reason to play the Indian card, and to play it with greater conviction. Not only (but also) in order to reduce their dependence on China.

*Roger de Weck*, Editor of series "Standpunkte"

# Germany Needs a New Policy on Asia

In the recent past India and China have returned with a vengeance to the world stage and the global economy. The two countries, which together have almost 2.5 billion inhabitants, are currently regaining the power and importance which they had before the advent of the Western colonial powers in Asia. At the beginning of the “Asian century” the Europeans and Americans are having to come to terms with a rearrangement of the poles of global economic and geopolitical power. It has of course been apparent for some time that the People’s Republic of China in particular has once again become the centre of global attention. Yet the architecture of international cooperation has found it difficult to adapt to the new balance of power. For example, the permanent members of the UN Security Council still reflect to the exclusion of all else the outcome of the Second World War. However, the newly created G 20 group is an institution in which the rising powers are appropriately represented, even though the new initiative has not attained the cohesion possessed by the G 8 group. Neither China nor India are fully-fledged members of the latter.

The new global balance of power is of course a challenge to Germany’s policy on Asia. It is clearly apparent that Berlin has understood the new global significance of the

People's Republic of China, and it treats Beijing with the attention and due respect. On the other hand, India continues to languish in the background. In the German public sphere it is still waiting to be upgraded to the status to which it would seem to be entitled when we consider the economic dynamism it has displayed in the recent past. Whereas China continues to be perceived (and occasionally feared) as a new superpower, India still has the reputation of being a developing country. Recently at least there have been signs of a change of heart in German industry.

China and India are heirs to ancient civilizations of global renown. They are not nation-states in the Western sense, but in every respect political entities of a vast and continental kind. "More India and less China" is a slogan, the purpose of which is to upgrade the status of India among German foreign policymakers. This cannot be achieved with a simple recital of current economic and geopolitical facts. What is needed is a comprehensive examination of the complex reasons for India's re-emergence as a world power. Thus in the following chapters we shall on more than one occasion refer to the adversities with which India and China have had to contend during the last two centuries. And we will compare and contrast the different ways in which the two countries have tackled the issue of economic and social modernization.

Our review will focus on the elucidation of the cultural, economic and geopolitical factors which suggest that it would be a good idea if German foreign policymakers were

to upgrade the importance of India. We shall first shed light on some important links between European and Indian civilization. Here we are concerned not only with the heritage of British rule in India, which even today is visible in the prevalence of English as the lingua franca of the Indian upper and middle classes and in the nature of the legal system. We will also look at values which have been among the guiding principles that have existed in India since ancient times. They have a great deal in common with our own notions of tolerance and candour. Furthermore, we shall examine common German and Indian interests in South Asia, and especially in the area of the Indian Ocean, which is of such vital importance for world trade. And finally we will set out the arguments in favour of expanded bilateral relations between Germany and India. They are substantiated by the clearly discernible rising trend in Indian-German business links. The aim of this essay is to clarify why, in the context of German policy on Asia, India's status and significance are set to increase in the years and decades ahead.

# A Reappraisal

Over the past two decades the public in the West has become increasingly aware of what is happening in Asia. It is true, of course, that in 1980s Japan advanced to become the second-largest economic power in the world, but at the time the Europeans did not really believe that it was important, at least in geopolitical terms. The Cold War had not as yet come to an end, and the advent of an Asian century was not an issue. All this changed dramatically as a result of China's resurgence and new world power status. Deng Xiaoping began with the economic realignment of the People's Republic towards the end of the 1970s, but the unprecedented economic rise of China first began to become apparent as the millennium approached. After having suppressed the democracy movement at the beginning of June 1989, the Chinese leadership decided to embark on faster economic growth in order to encourage people to think about something else, and to spare China's Communist Party the fate of the Soviet communists under Gorbachev.

Since then the political and economic situation has changed. Now the world is interested not only in China, but also in India, the other Asian country with a population of more than a billion. People have started to talk about the BRIC states, a group of rising powers consisting of Brazil,

Russia, India and China; and recently Indonesia, the quiet giant in Southeast Asia, has attracted global attention. American strategists have taken to describing the Indian Ocean as the geopolitical region in which the future global balance of power will emerge and where the question of whether China will one day supersede the US as the world's only superpower will be decided. Whereas the great wars of the 20<sup>th</sup> century were fought and decided in the Atlantic and in the Pacific, the Indian Ocean now has the dubious honour of being the most important hot spot in the global struggle for power.

It is hardly possible to cast doubt on the fact that the Chinese reformer Deng Xiaoping (1904–1997) was one of the most important and influential statesmen of the 20<sup>th</sup> century. Deng not only led China out of Mao's Stone Age and into the modern world; indirectly he was one of the reasons why India broke out of decades of economic self-mutilation. For a variety of historical and cultural reasons Indians find it difficult to accept advice from white people in the West. One often puts this down to the racist arrogance of the *British Raj* (which might be translated as British king, and is the general term used to denote British colonial rule), which the older generation in particular has not quite forgotten.

However, things are quite different when it comes to the lessons taught by the Chinese with their far-reaching economic and social reforms. Even if traditionally the Indian elites and the Indian media do not take a great deal

of notice of what is happening on the other side of the Himalayas, it was no longer possible to ignore the achievements of the Middle Kingdom after the Chinese reform process had turned out to be not only a success, but in fact an enduring one. Suddenly, in the light of the worldwide excitement about China, the question arose in the hallowed and convoluted corridors of power in Delhi, the Indian capital, whether or not India was in a position to do what the Chinese had done.

We now know what the answer was, or at least we know part of it. For a number of decades India's economy made little or no progress, and until the 1980s people used to talk about the *Hindu rate of growth*. But shortly before the millennium the country finally began to notch up growth rates which were similar to those that the Chinese had achieved. Whilst it is true that India, especially in the area of infrastructure, still finds it difficult to keep up with China, in a whole series of economic sectors it nowadays no longer needs to hold its head in shame when people compare it with its large neighbour. International investors needed slightly longer in order to make sense of what the new India was all about, but towards the end of the first decade of the 21<sup>st</sup> century the situation was definitely beginning to change. India is now being compared quite seriously with Destination China, and with growing frequency such comparisons do not necessarily come down in favour of the Middle Kingdom. Well-known multinationals, including some from Switzerland and

Germany, have substantially increased their investments in India, and in the case of new projects have even preferred India to China.

Yet the slogan “More India and less China” is directed not only at investors and managers who have come to Asia in search of profits and of markets. We are also thinking about politicians and the media, who all too frequently continue to lag behind the clearly apparent shifts of emphasis in the economy. People have always found it difficult to change their cherished views of the world. For example, if one takes a look at the history curriculum that is taught at schools in Germany and Switzerland, it is obvious that it is still dominated by the Eurocentric approach. Now that the resurgence of Asia is a fact, and seeing that most Europeans have understood that it is not a short-lived phenomenon, but an event that is helping to determine the fate of the whole of humanity, there is an urgent need to redefine the image of the world that young Europeans learn at school.

And then there are those ill-fated global trends which are blown up out of all proportion by the media, and which many people dutifully imitate, even if a reversal is already in full swing. Japan is a classic example of this. In the 1980s “Nippon Inc.” advanced to become a role model feared by the West. The speculative bubble finally burst in 1989, and led to a dramatic reversal. Since then many people have been of the opinion that Japan is a “basket