

Is India relevant to the Asian Century?

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Questions like this one are not my forte. But now, having essentially handed over the operations of Bajaj Auto to the next generation, I can afford to do things that I feel like doing.

Positive realism. This is what I believe in and try to practice. In business you can survive only if you are positive. Moreover, in business, unlike in politics, the marketplace quickly holds you accountable for your beliefs. This discipline is a good one. Businessmen prosper if they have a realistic vision of the future. It is in this spirit of positive realism, rather than wishful thinking, that I approach the question of the Asian Century.

It is self evident that due to both demographics and its rate of economic growth, Asia will have a larger economic and political role to play in the world. Today, in pure dollar comparisons, Japan ranks 2nd, China 7th and India 12th in the world by GDP. If we correct this for purchasing power parity, then China is the 2nd largest economy, Japan the 3rd largest and India the 4th largest. So, in the top 5 economies in the world, 3 are

from Asia. What more needs to be said ? With India & China set to grow much faster than the world, and their currencies likely to appreciate over a 10 year horizon, then even in dollar terms, China and India will be among the top three economies of the world by 2020 if not earlier.

But will the 21st century be the Asian century? In my opinion, while Asia will be increasingly important economically, it might be stretching it a bit to say that this will be the Asian Century.

The creation of a powerful bloc needs clear leadership. The world's three major economic blocs are NAFTA, EU and Asia. In NAFTA US is the undisputed leader. In EU there is a German-French axis that provides joint leadership. In Asia there has been no clear leadership, nor do conditions seem propitious for its emergence.

Asia has not been nor is likely to be a monolithic entity. There are at least three, if not more, poles. China, Japan and India for sure. ASEAN and South Korea have a balancing role to play. We may well see a united Korea, sooner than later. And these poles are looking in different

directions. Then there is the not so invisible hand in Asia of the US.

Japan has traditionally not acted as an Asian country or a leader of Asia. It has been too concerned with gaining and maintaining its developed country status, secure under the United States umbrella. Its WWII record makes dealing with Asia difficult.

India's self-image and acceptance of its leadership by other countries in the region are at variance. The only countries we have not had problems with in the neighbourhood are Bhutan & Maldives.

That leaves China to don the leadership mantle, which it well may. But India & Japan will not acquiesce to this easily. In this they would be ably supported by the US. For it is in US interest to keep Asia divided, as it was in US interest to unite Western Europe. Also, China is likely to continue to adopt aggressive economic and military postures in the region. It sees itself as the equivalent of the US in Asia.

Furthermore, besides the lack of political and social underpinnings, Asia lacks even economic underpinnings. The route to Asia's stomach is via the US. The economic growth in Japan, ASEAN & China has been and is fuelled by exports to the US and investments by US companies. The US is also India's largest trading partner and Indian IT and ITES industry are on a US umbilical cord.

Only 23% of ASEAN's trade is among ASEAN countries. Contrast that with 62% of EU trade being intra-EU. Asean exports to the US still exceed their intra-ASEAN exports.

But the structure of trade within Asia is changing. China today imports more from Asia than does Japan. Thus, looking ahead it appears that China will become the economic hub of Asia. But, will it be a new kind of coloniser, importing raw materials and sending back finished goods?

A recent study by the National Bureau of Economic Research of the US concludes that China is on the whole likely to impact negatively the economies of all countries in Asia other than Japan & South Korea.

Thus, Asia is unlikely to challenge the US-EU duopoly in the political or economic spheres. There may be opportunistic, shifting alliances between US, China, Japan, India & Russia in various combinations on different issues.

May be you have heard this one, but it is worth retelling. A Japanese is boasting to an American about the coming Asian Century. The American begs to differ. Why? asks the Japanese. Because our Asians are better than your Asians, replies the American!

So, I would like to rephrase the proposition from 'Is India relevant to the Asian century' to 'Is India relevant to developments in Asia'. And my response to this is yes; India will be very relevant to the future of Asia.

This could not have been said even 10 years ago. Then, discussions of Asia excluded India. It was East Asia they meant and that included ASEAN, China, Taiwan, S Korea and Japan. Now the focus is on China, Japan & India, in that order. ASEAN, S Korea & Taiwan are on the sidelines. This change has occurred because of

the growth of the Indian economy due to liberalisation. And, the resultant response of entrepreneurs, both domestic and foreign, and the growing competitiveness of Indian

business. The ASEAN meltdown in 1997 has also contributed to this reassessment. There is also a realisation within ASEAN, spearheaded by the astute Singaporean leadership, that they need an economic and political foil to China.

There are two dimensions to the future of Asia. First is the economic development of Asia. Second is the geopolitical one of what China will do with its economic and therefore political & military power, and how will the US, Japan, India and ASEAN countries react to it. Obviously, the two aspects are inter-related.

Despite its continuing investments in China, the US appears to be changing its view of China, from being a strategic partner in the Clinton years to being a strategic competitor. The US-China Economic and Security Review Commission in its recent report to the US Congress states, and I quote," a number of current trends in the US-China relations have

negative implications for our long-term economic and national security interests." Unquote.

The US seems to want to build a coalition in Asia as a counter to China. This would include Japan, South Korea (the two countries with whom the US has security pacts), some ASEAN members and perhaps India.

In my view India would do well to stay out of this great power game. This will be more in our interests. But this calls for Bismarckian finesse - To play one's hand beyond it's potential and keep winning.

We seem to believe that we do not have a seat on the High table. But, we could be holding the balance in Asia, between US-Japan on the one side and China on the other.

We should be following a "friends with everyone" policy, even though strategically our interests may lie more with the US-Japan axis than with China.

The starting point has to be the realisation that East Asia needs us as much if not more than we need East Asia. That will result in a more confident approach to East Asia rather than the current one.

In the economic sphere, our self-doubt has led to unnecessary FTAs with ASEAN wherein we stand to gain little, but may create avoidable difficulties for Indian business. A FTA with China is on the cards, with a Joint Working Group already set up. I have reservations whether this will be in the interest of Indian industry & economy.

Both the US and China are likely to use the Pakistan card to keep us in check. This is why it is very important for us and Pakistan to move forward with the process of rapprochement, difficult though it may be.

If we want to be relevant in Asia we have to be a practitioner of sophisticated realpolitik. This means confident, aggressive and yet flexible response to developments. Not the hesitation and moral squeamishness we sometimes exhibit.

This does not mean unprincipled behavior; however, it does mean having the courage to keep principles aside for some time if they are a long-term impediment to the furtherance of our national interests.

Deepening economic relations are an important component of world relations today. A country is an ally if it sees economic benefits in the relationship. Economic benefits between countries largely happen through investments by companies and import of goods from a country. This is especially beneficial to a country when its domestic companies engage in it. When Tatas plan an investment in Bangladesh, India benefits in political terms also, not when Ford does it, even if it is through its Indian subsidiary. This is why strengthening domestic companies is important. Fortunately, many large companies in India are increasing their global orientation.

As long as we keep strengthening the domestic economy and companies and keep pursuing a policy of enlightened self-interest, our relevance in the world, let alone Asia, will keep increasing. We are one of the few countries in the World with

which people have affinity. Our soft power of civilisation, an inherent tolerance of diversity, democracy, even bollywood, have been around for some time. We have to marry them to the hard economic power that unfortunately the world today respects more than anything else. For this we need outstanding and astute political leadership, a supportive business environment and a very strong partnership between the government and business.

Thank you.