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## A NEW ERA IN ASIA

A new world order is emerging in Asia. India is now growing rapidly and China is both growing rapidly and avoiding a war with Russia. Now that India and China are getting their affairs in order, they will be in a better position to challenge the US's dominance in world affairs by the middle of this century.

India is easily the world's largest democracy. The prime minister is a Sikh, the outgoing president was a Muslim and the power behind the throne is an Italian Catholic woman (Sonia Gandhi, grand-daughter in law of former Prime Minister Jawaharlal Nehru). It is on its way to becoming the world's third largest economy (after the US and China).

India has a middle class of about 300 million people (about the size of the entire US population). It has become a leader in the information technology (IT) business. In Silicon Valley in California, "IT" also stands for "Indians and Taiwanese". It has the second largest English-speaking scientific workforce in the world (after the US). It is producing more scientists each year than the US.

India became independent of Britain in 1947. But how was India to develop? The leader of the independence struggle was Mohandas Gandhi (1869-1948), a London-trained barrister. He believed in the simple life and hoped that an independent India would be a country that could look after its own people with a rural-based economy. He wanted a country of little industry and great self-reliance. He was assassinated by a Hindu fanatic on January 30 1948 who was troubled by Gandhi's talk of reconciliation with Muslims and members of the lower castes.

His deputy was Jawaharlal Nehru (1889-1964), who was Prime Minister 1947-64. He worked with Gandhi in the struggle for independence. But having spent so much time being educated in Britain, he wanted to follow the then British model of industrial development. He wanted the government to play the central role in running the economy and so he supported socialism and nationalization.

This economic philosophy also fitted the country's foreign policy. With the onset of the Cold War, India tilted towards the Soviet Union (while Pakistan became an American ally).

The Nehru philosophy remained in force (no matter who was in power) until 1991. One of the most infuriating aspects was the creation of the "Licence Raj" – the need for government permission to undertake almost all economic developments. India was drowning in red tape.

Indians – who are often successful businesspeople overseas – found themselves hampered by all the paperwork. The Indian standard of living may have declined for some people in the 1970s and 1980s.

1991 was the turning point for the third era of Indian development. After Gandhi's short-lived self-reliance and then Nehru's stifling big government philosophy, India adopted a third model of development: greater reliance on the market.

Cambridge-educated Manmohan Singh (who is now the Prime Minister) was then the finance minister. He began to ease up on the Licence Raj. He did nothing dramatic. He was not going for the drastic reforms of Mikhail Gorbachev's "perestroika" and "glasnost" – which had destroyed the Soviet Union. Instead, there were many small reforms, making it possible for businesspeople to operate without seeking government permission. As the economy gained a little more steam, so there was more and more easing of the Licence Raj.

Now India is seen as the emerging economic giant. It has decided to follow the modern western model of economic development – and threatening to beat the west at its own game. It will be a major power around 2050.

Meanwhile, with all the gloomy news about war, it is worth recalling one major war that has not taken place. In March 1969 there was a violent confrontation on the Ussuri River, where dozens of Russian border guards were killed by Chinese soldiers. Veteran American journalist Harrison Salisbury wrote a bestseller called "The Coming War Between Russia and China".

Almost 40 years later the relations are greatly improved and a war now seems most unlikely. There have even been recent joint military exercises between the two countries. There is still scope for accidental violence but overall the situation is much better.

The Chinese-Russian border is the world's longest. For many decades it was also the world's most militarized. It was three times the length of Europe's "Iron Curtain". Three decades ago, the confrontation was absorbing about 25 per cent of each country's military effort.

Geography worked against Russia. The total length of the Russian empire was 10 time zones – almost half way across the globe. The Russians felt vulnerable about their Asian rear end. Moscow is closer to New York than to Vladivostok.

Although Russia and China were both communist allies, they were not good friends. Conservative western politicians exaggerated the extent of the "unified Red threat" from Berlin to Beijing. Russia saw itself as the main communist country; Mao Zedong did not. He largely ignored the advice of Stalin on how to run his country. The Russians regarded Mao as upstart with radical ideas.

The major improvement began in 1985, when Mikhail Gorbachev became the Russian leader. He needed money to reform the country and so he needed to reduce its military commitments. He unilaterally removed some of the forces. Then in 1990, the Soviet Union collapsed.

Russia now wants to develop Siberia and its Far East region. This is Russia's new frontier. Siberia floats on an ocean of gas; the natural gas fields are the world's largest. That end of Russia is also a treasure house of other raw materials: 60 per cent of the country's timber, 60 per cent of its coal, and 80 per cent of its water. Gas is called "blue gold", fur is "soft gold", coal is "black gold" and salmon "red gold".

But Russia cannot get the wealth by its own means. It is not technologically advanced enough. Therefore Russia needs foreign investment and expertise. Foreign corporations need to be reassured there will be no war between Russia and China.

Meanwhile, China also wants more foreign investment and expertise and so it also has an interest in avoiding a war with Russia. Therefore a thirst for international investment and trade is encouraging an outbreak of peace between Russia and China.

Russia may therefore play an important role in China's rise to global dominance around 2050 – as a provider of energy and raw materials. The ex-communists are being united by capitalist ambitions.

There is now a new international question to ponder: how will the United States cope economically and psychologically with the competition from India and China?

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