

## **“Chindia” and ASEAN:**

### **About national interests, regional legitimacy, and global challenges\***

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#### **Background**

It has long been no secret that China and India, as highly dynamic rising powers, are exerting growing influence and shaping power in international relations. The size of their combined populations, which make up just over one-third of the world population, together with their robust economic achievements, have for a decade made these two states the gravitational centre of East- and South Asian economic relationships. This economic dynamic is both cause and consequence of political and social upheavals in the two states. Societal change – and the economic boom imbedded therein – led to increased national self-confidence / self-awareness and the political will for a more active, representative participation in the international order.

Yet as similar as China and India are in their appearance as powerful states, they differ greatly in the structural assumptions upon which they base their foreign power projection. The widespread vision of “Chindia,” an Asian supernova with global reach does not accurately, or at least completely represent the current political reality.

For many observers, China appears primarily to be an economic giant with political feet of clay. The Chinese Communist Party and the centrally controlled state apparatus face a climactic legitimacy problem resulting from one-party governance in a market economy

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system. Chinese domestic stability effectively depends on the CCP's ability to solve this problem and bring under control the rapidly spreading centrifugal forces it has engendered in Chinese society. The Chinese situation is very different from that of democratically bound India, whose remarkable economic boom is largely thanks to its globally competitive service and IT sectors. The Chinese economic wonder, meanwhile, was and is primarily supported by goods manufacturing, which enjoys (at the moment) almost no global-scale competition. Both nations indeed possess attractive domestic markets, which nonetheless still offer only limited possibilities for the absorption of Indian or Chinese products, respectively. This is due to extremely high internal disparities in purchasing power growth. The bilateral relationship between the two states is not unstrained, primarily due to long-pending territorial conflicts. Yet each does not consider the other a particular threat.

India's primary concern is directed at its northwestern neighbour, Pakistan, whereas China's politico-security fears are aimed in an eastern direction. Moreover, while India has in recent years increasingly emphasized a close relationship with the USA, thereby decreasing its traditional cooperation with Russia, China is attempting to constrain US influence in Asia by cultivating alliances precisely with Russia and the resources-rich Central Asian successor states.

In conclusion, there seem to be more differences than commonalities between China and India. Both states essentially see themselves, in the global realm, as necessarily exposed to comparable challenges. They both feel impelled, in their own interests, to find appropriate responses to their (sometimes overlapping) problems regarding the future. Although we cannot predict at present whether this search will lead to a convergence of the two regional powers or to a new fragmentation of East and South Asia, it is clear that their response to these challenges will be an important constellation for the entire region in the 21<sup>st</sup> century. In this respect the regional and global understanding of the role of the great powers, as well as the expectations directed at them by the small states of the region, comprise the core issue in developing Asia as a robust region with a collective identity.

The key questions for the inter-relation between the emerging great powers and the region of their geopolitical location are as follows: How do rising countries shape their regional legitimacy and on what grounds do they claim it? Do they perceive themselves as regional spokesmen and do they act as facilitators between the regional and global level? Do smaller countries in the region perceive the big powers as dominant actors or as benevolent hegemons? Do they benefit from the rise, in terms of gaining greater clout on the global scene?

The following paper starts with providing thoughts on these questions from the perspectives of the two large states of China and India, with regard to themselves and to the region. In the second part, the perspectives will be switched. To begin with a general observation, the relationship between the great and small powers is overshadowed by a double contradiction.

Firstly, on certain fundamental points the self-perceptions of the great powers do not agree with the perceptions of their smaller neighbours. The asymmetry between their strengths and potential in particular, as well as their relative foreign impact, appears responsible for this first contradiction.

Secondly, transnational and regional problems prove to have diverse shapes and meanings, depending on how they are considered: from a domestic or external perspective, from a cause-oriented viewpoint, or from the standpoint of those directly affected. The (still) absent social identity of the large and small states in East Asia consequently lacks a common regional perspective on these problems. Thus, it is indeed necessary to further discuss regional attempts at globalisation in East Asia, but any far-reaching hopes for a quick formation and implementation of such globalisation are still premature.

## 1. What are China's Interests?

While large parts of East Asia encounter China's rise to Great Power status with abating astonishment and increasing apprehension, the latter reaction seems, in China's view, unnecessary. China holds that these concerns underestimate the corollary (internal) problems caused by its economic growth, which limit its options and constrain its behaviour.

Behind conciliatory rhetoric—instead of multi-polar cooperation, the Chinese government now speaks of multilateral integration; instead of “peaceful rise” they say “peaceful development”—lies more than just beguiling camouflage over a fundamentally unchanged policy. Dependent on steady foreign direct investment, and facing increasing interdependence with international economic structures, and increasingly dependent on resource and energy imports, China has gradually transformed its once nearly autarkic, self-sustaining economy into the *largest dependent economy* in the world. Its fate will henceforth be linked, in a double sense, with Chinese governmental policies. The government must ensure a political framework that is as dynamic as possible in order to prevent a collapse of the increasingly foreign-dependent economic system, but it also relies on this system to maintain its own power and legitimacy as the ruling party. This double connection affects China's conduct in its external relations.

China is searching for new spaces to expand into and new partnerships to develop, with a twofold goal: to ensure a continued influx of resources and capital; and to protect its market interests in export production. However, Chinese policies also guard against any outside attempts at “intervention in internal affairs”. These policies are directed at any initiative or activity in which the leadership sees a potential threat to its dominance, authority or legitimacy. China continually defends its status as a developing country, saying it should receive further help and be allowed certain “deficits” due to its incomplete transformation. This rhetoric correlates directly with China's own critical capital transfers to its partner countries in Asia and Africa, which China considers relevant to its own strategic interests.

Externally, China is striving to improve its reputation and cultivate an image as a responsible agent and reliable actor in inter-state cooperation. Thus, under the not illogical premise of non-interference, China is moving toward multilateral cooperation, which is more or less unmistakably tied to its expectations regarding its partner states. Other goals include furthering economic development and sustaining the continuation of its own political system. China's tactic for cooperation, in general, includes a softer exertion of power. One aspect of this tactic is to alert the world of the unfavourable consequences of transnational problems arising from within China – for example in the environmental sector – but at the same time to challenge its partner states to do their own part in solving the problems. Political non-interference and ideological freedom of values are effective in creating a suitable basis for the development of reciprocal, profitable economic relations between China and its partners. But we must not ignore the fact that, independent of any objective, in order to develop the most profitable cooperation as possible (i.e., to create a win-win situation), China's transition to active collaboration in East Asia must necessarily be based on solid and long-term interests.

China's dependence on politically stable and economically dynamic external conditions engenders its desire for reliable coordination in its international relations, particularly in its immediate neighbourhood. Regional politics have gained significant weight with China; the feelers it has stretched out to the northwest and southeast (SCO, ASEAN) are thus much more than symbolic gestures of a willingness to cooperate. Yet in China's view there exists no sustainable community of values among the Asian neighbours (i.e., there is a value gap), and therefore only the scope for achieving realistic goals through inter-state agreements remains limited. This argument effectively serves to protect (and conceal) the home-made interest in non-interference into Chinese domestic policies. Such pragmatism as a premise for cooperation has caused conflicting feelings in East Asia.

Some encourage close cooperation with China to the degree that they suppress concern over a Chinese imperialist expansion in East Asia. Others point out that China's pragmatism could negatively affect the interests of the small states in the region if, as in

the case of Myanmar (see Chapter 4), it undermines or weakens ASEAN's efforts for a unified political foundation by (for example) supporting bilateral collaboration. Hence, the smouldering suspicion arises that working within this Chinese pragmatism could turn out to be a rash decision, if the Taiwan crisis came to a head, China's relationship with the USA worsened, its energy supply were cut off, or its domestic political stability were jeopardized.

Thus, from an external viewpoint, one might find fault with the absence of transparency in China's long-term concept for its foreign and regional policies. Beijing's proclaimed criteria for its rhetoric about "live and let live," justice, active responsibility, restraint and non-interference – to name a few – are as contradictory as they are arbitrary: for most of the states in the region, China's current policy of selectively opening or closing its eyes depending on its own interests does not live up to external expectations of a basic reliability. China's regional policy embodies sundry roles, which oscillate in a dubious spectrum between preserving the regional status quo and changing it. In any case, for any convergence of China and the ASEAN states the burden lies with the rising power to responsibly negotiate within and for a sustainable, collective regional system.

## **2. What are India's Interests?**

Since the beginning of its economic liberalisation, India's economy has been characterised by stable growth rates of approximately seven percent, hardly less than the growth rates in China. Unlike China, however, the economic transformation of India has not been met by the dramatic global euphoria that has accompanied China's rise. The most important reason for this phenomenon is the fact that India had been a well-respected democracy and a global player before starting economic liberalisation. Because of its transformation into a competitive, high technology economy, its ongoing population growth and, most recently, its decision to become an official member of the "nuclear club", India's global position has strengthened, yet not emerged without some scratches. The consequences of liberalisation can be better compared globally rather than

in the East Asian region, because regionally speaking India's security interests are still very much absorbed by its nuclear stand-off with Pakistan and its more or less latent concerns about some disintegration that may be triggered by growing violence and terrorism. For most of the neighbouring countries in the frame of South Asian cooperation (Nepal, Bhutan, Bangladesh, Sri Lanka and Maldives) a hegemonic role for India as the biggest dog in town, at least in the sub-region, has long been out of the question. Changes, if any, can rather be observed in India's relationship with Pakistan, on the one hand because of their newly emerging nuclear parity, on the other hand because of a growing estrangement in India's relations with Russia and a development of closer relations to the United States. Ironically, nuclear deterrence based on mutually assured destruction has apparently stabilised the strategic relation between the two big rivals and, as a result, expanded India's vision of the region.

In its relations vis-à-vis Sri Lanka and Nepal, Delhi has intensified its efforts to contribute to de-escalation of the violent conflicts in those countries. Moreover, India has started to explore its opportunities to use relations with its neighbours, both close and distant, in order to provide solutions for its growing energy-supply needs. In recent years, India's outreach for energy resources has become global, including cooperation with countries in Africa and Latin America. Its partnerships with the EU and, increasingly, with the U.S. are considered strategic. India hopes to receive support from both sides of the Atlantic for its UN Security Council aspirations. India's positive attitude towards these two centres of global power is influenced by an affinity to the West based on democratic values.

The new "Look East" strategy, which has been implemented parallel to the re-positioning of India as a single global actor, has not yet been clearly defined. In fact, India has not declared interest in projecting power or influence in its neighbourhood. It must be considered, however, that India's geopolitical location – as a quasi-island on a sub-continent – is to India's strategic disadvantage, given the ASEAN institutional setting. India is at the periphery, not the centre, of the ASEAN region. Another aspect is related to the potentially explosive power of the social conflicts in the country that will soon

have the largest population on earth. Problems exist not only over Kashmir, but presently also over no less than four other trouble-spot provinces in the east, with possibly more provinces to be affected in future. A third problem for India, of course, is China. Although signs of modest relief are visible (i.e., solving of border disputes, increase of trade), India's relation to its biggest neighbour is considered highly important but also still extremely sensitive and fragile. India does not and cannot compete with China over hegemony in Southeast Asia, if it hopes to further consolidate the relationship. Yet the relationship is far from becoming a strategic alliance beneficial to both in the global scene.

The more immediate results of the "Look East" strategy comprise India's access to the multilateral forums ASEAN and ASEM. India shows concerns, however, about being used by the ASEAN group to balance China. Unlike China, India shows less interest in being actively involved in political cooperation. It clearly prefers weakly institutionalised or soft structures of cooperation. As far as security cooperation is concerned, India focuses on maritime security for the sea-lanes at the bottlenecks of the Indian Ocean (i.e. Hormuz and Malacca). Delhi hopes for political support from its large diaspora in Southeast Asia for its global ambitions for co-determination.

The most important change within India's regional policy is its markedly less pronounced role as a speaker for the South or the developing world. Delhi has started to speak out and act in its own capacity, referring to its own interests and preferring a centred role in all directions. Ironically, India's policy has thus become more "Chinese": less value-based, more pragmatic and led by hard interests. This course may include less accountable behaviour in the realm of international relations in the years to come. Unlike China, which has opted for closer political cooperation as well, India considers its role to be more ad-hoc, more dependent on specific interests, more in one area, less in others. Most important for India are its expectations for an energy supply from and a profitable export policy to the growing markets of Southeast Asia.



With regard to this new approach, India faces a serious problem. Economic relations with ASEAN are relatively weak; India depends on an export increase of almost 50 percent annually. The ASEAN members feel this export pressure from India, but hold, for the time being, a less promising outlook in return. Disappointment has been spreading about India's "economisation" of regional policy. Some experts are afraid that India might target Southeast Asia not because of real interest in the region, but to get a stronger position vis-à-vis China. For them, India's one-way-street, protectionist trade policy has caused suspicion that India's former embracement of ASEAN has been overturned by its attention toward China and its globally oriented power policy.

### **3. How are India and China perceived in Southeast Asia?**

Most of Southeast Asia perceives India indifferently. On the one hand, India's image in the region profits from not being burdened by a colonial legacy or by previous rivalries for hegemonic influence. On the other, India has not played a prominent role beyond South Asia until recently, if we leave out the partly significant Indian Diaspora, which has long been structurally embedded within most societies in South and Southeast Asia. The amount of mutual trade was negligible until a decade ago and – to the disappointment of most countries – has turned into a one-way street since the beginning of India's economic outreach in the late 1990s.

Not only has ASEAN's foreign trade deficit with India grown from year to year, but the increase of Indian imports from other regions of the world has also developed faster than the increase of imports from Southeast Asia. Yet the situation looks different from country to country. The Capacity Building Program for the CLMV countries (Cambodia, Laos, Myanmar, and Vietnam) is considered useful, as are India's contributions to the Development Fund of ASEAN and its investments into the infrastructures of the CLMV countries. Given their extensive investments in India, Malaysia and Singapore have developed a particular interest in close and stable relations with Delhi. Both countries have extended their cooperation into the field of maritime security (safe sea lanes,

especially in the Malacca Strait). Singapore and India have even held bilateral military exercises since 2004.

India's bilateral trade with Thailand has doubled in three years (2003 – 2005). The cost-effective distance of just 132 sea miles between the two countries has helped increase the exchange of goods. Unlike the case with Malaysia and Singapore, where India is a recipient of their FDI, in Thailand, India is the provider of FDI. With regard to security, India's interests are basically limited to preventing the illegal influx of arms into its trouble-prone northeastern provinces and curbing organised crime (smuggling, piracy). With Indonesia, India shares a vision of a democratic, multi-cultural society and a history of long-standing economic and political cooperation. The new Strategic Partnership reflects the comprehensive design of their relationship. India's cooperation with the Philippines is least developed, although this fact cannot be explained only by geographic distance. The lack of complementary economic interests seems to be more important.

The ASEAN members have more or less outspokenly complained about India's protectionist attempts against imports from Southeast Asia. While ASEAN import tariffs range, on average, between ten and twelve percent, India has imposed tariffs of up to 29 percent on imports from Southeast Asia. This imbalance has put a tremendous burden on the export-dependent SOE nations and also become a cause for uneasiness, since India has slowed down and delayed negotiations on the implementation of the Free Trade Area set to come into effect in 2011. The fact that India has extended mutual trade with Myanmar but is less engaged with other ASEAN members is widely considered a sign of India's lack of interest in the region as a whole. But unlike China, which is regarded by ASEAN with a mixture of hope and scepticism, the members are unconcerned by more active political deeds undertaken by India. India is not considered as a threat, but rather a potentially balancing and stabilising actor. ASEAN would prefer a stronger political commitment and at the same time regrets India's ongoing restraint.

China's rise is considered as much an opportunity as a risk, but hope for the opportunities currently still prevails over latent concerns. All ASEAN members are trying to profit as

much as possible from China's economic opening. On the other hand, in terms of their security, the ASEAN countries are eager to pro-actively maintain or renew coalition arrangements with the US in order to be prepared for any destabilisation. In an ongoing tightrope walk, they try simultaneously neither to be squeezed between the presumed rivals, India and China, nor to become a subject of their bilateral rivalry. At first glance ambivalent, this ASEAN policy has its rational core not in a neutral position but rather in the hope of getting the best out of relations with both. The ASEAN members share a view of China as a challenge, not as a threat. China's most recently demonstrated constructive policy in resolving the territorial dispute in the South China Sea (over the Spratley Islands) has fostered a positive assessment among the ASEAN members, although concerns about the sustainability of China's charm offensive have hardly faded away. In order to minimise these concerns, ASEAN aims at inclusion instead of containment. Expanding multilateral cooperation with China on regional and sub-regional levels and incorporating it into ASEAN's cross-cutting regional mechanisms serves mutual interests by creating a crisis-resistant, or at least crisis-stable, multi-layered network of collaboration.

In a case-by-case analysis, however, the perspectives of ASEAN members vis-à-vis China are not congruent. Above all, geographic proximity and economic dependence matter most. The closer the distance and the larger the economic dependence, the more economic hopes and political concerns coincide. Geopolitical and strategic asymmetries also cause diverging attitudes toward cooperation between China and the ASEAN members. Malaysia and Indonesia's policies, for example, are influenced by the existence of Muslim majorities. Both regard China as a potentially balancing actor in the region to reduce the pressure from the US-led war on terror. Both look at China as a market place and as a partner for investments, trade and cooperation. They try to use closer cooperation to safeguard their self-determination in international affairs. For the Philippines and Singapore, who are as strongly interested in stable relations with China, it is their military coalitions with the US that determine their security policies. Both advocate a strong US role as a balancer of China's rise in the region.

#### **4. Myanmar: Clash of Interests or Opportunities for a Coordinated Regional Engagement?**

Myanmar (Burma) is the only ASEAN member that has common borders with both China and India. Yet, so far a bridge-building role for Myanmar between its two big neighbours has not emerged. Both neighbours, however, have declared vested interests in Myanmar. Irrespective of global concerns over the ruling military junta in Yangon, both India and China have steadily improved their relations with Myanmar in the last decade, basically because of their interests in accessing the resources of this extremely resource-rich country. In fact, both China and India have supported the junta's rule through political and economic collaboration. In this respect, the case of Myanmar will be the litmus test for both China's and India's serious will to foster (or to constrain) regional integration. Beyond this, it may also become a litmus test for the scope and character of the large powers' bilateral relationship.

China's recognition of the junta's rule was influenced from the outset by the fact that the rulers in Yangon supported China's political positions in all fields subject to international criticism or dispute, whether the crushing of the revolt in 1989, the occupation of Tibet, the pressure on Taiwan, the bombing of the Chinese Embassy in Belgrade, or China's initially harsh response to the U.S. during the Hainan spy case. The political relations between the two countries have been developed and intensified at the highest levels since 1989. Military cooperation started in 1990; since then, China has not only exported a substantial amount of weapons and armaments to Myanmar, but also invested in its military infrastructure. Parts of the latter are being used by China itself (for example a navy sea port) so that Myanmar can be labelled a strategic outpost for the Chinese military.

At the same time, while China's military cooperation has provided a supportive political shield for the regime in Yangon, the junta has become in many respects more and more

dependent on China. For example, China has used its superior position in cross-border trade to extend political influence far beyond the border into the neighbouring country. The area around the border has become virtually controlled by China. Illegal routes, not only for raw materials and goods but also for weapons and drugs, between Myanmar and the Chinese province of Yunnan have developed and thrived as a result of the factual disappearance of border controls. The official amount of trade has grown from approximately USD 16 million in 1984 to more than USD 420 million in 2005. No figures are available for the amount of illegal trade, but the figure is presumably enormous. It is a colloquial saying that parts of Myanmar have become Yunnan's *open backyard*. A sign of this is the fact that in the regions around the boarder, the Chinese RMB has become the currency of the day and Mandarin the essential language for doing business. China has become the biggest investor in Myanmar and takes a leading role in almost all strategic infrastructure projects (traffic, communications, supplies). Moreover, China is investing in the construction of factories, agricultural plants, education and culture. Many of these investments are local and not listed in official statistics. In sum, it can be concluded that China has started to play the role of a neo-colonial patron for the part of Myanmar.

India's attitude vis-à-vis Myanmar was influenced for many years by the junta's violent repression of thousands of Indian businessmen after the putsch in 1962. It gradually changed, however, over the course of the 1990s. The "Look East" Strategy was guided, *inter alia*, by India's growing interest in Myanmar's energy and raw material resources, and also in expanding its markets eastward. The strategy has transformed, in the case of Myanmar, almost into an embracement policy. The volume of trade has grown ten times compared to the level 15 years ago. India has invested heavily in the infrastructure of the energy sector and positioned itself as a donor for strategic investments in Myanmar. In the security sector, India and Myanmar have agreed on combating illegal transfers of persons and goods across their borders, a long-term concern particularly for India. In exchange, India has delivered weapons and armaments to its neighbour, including battle tanks based on Russian technology, combat helicopters, artillery pieces and electronic equipment.

Both India and China are trying to embrace Yangon with charming offers, and both at the same time compete with each other over Myanmar's attractive resources. Their business-guided recognition of the junta hinders other nations, including ASEAN members, and the oppressed opposition movements within Myanmar from being able to put pressure on the military rulers. Most conceivable sanctions could be compensated for by either neighbour, which would automatically limit their prospects for truly impacting the regime. Moreover, bridge-building between civil societies is hardly an option for ASEAN as long as no promising counterpart in Myanmar exists.

## **Conclusion**

China and India have different understandings of their roles in and for East Asia. India acts as a "benevolent power," a power without hegemonic ambition but open to cooperation beyond South Asia. China shows more ambition to become a part of multilateral cooperation in the region. It applies an embracement strategy while simultaneously promising and asking for non-interference. In the past, India understood its global role as one of a speaker for developing countries, but it has apparently shifted its focus to explaining, defending and maintaining its own interests and obtaining recognition as a global power in its own capacity. For China, the situation looks almost exactly the opposite. Beijing claims status both as a developing country and an emerging power. It intentionally tries to adopt a speaker's role not for, but in the interest of, the developing world. At the same time, China is investing in the economies of many energy-rich developing countries, independent of the recipients' political legitimacy. Yet, as a member of the P-5, China acts primarily in its own interests.

A serious debate on the roles of the two big powers does not exist among ASEAN members. This might be explained partly by the fact that neither of the two has claimed the role of the regional hegemon or patron, in addition to the point that both have shown a more or less stable interest in cooperation for mutual benefit. Moreover, ASEAN's

perspective has remained limited. Global issues have not had a decisive impact on its regional policies, nor has any of the members shown interest in a mediating global role of the big powers on behalf of ASEAN. It seems that ASEAN's global perspective is absorbed by a traditional cross-regional policy design and the possible consequences of any increased regional integration for the principle of non-interference into internal matters. For the present, it seems clear that ASEAN concerns about possible outside interference are still creating cognitive and political walls between the region and the world, at least more so than optimistic summit language indicates.