



Salzburg, August 9-11, 2006

# ASIA'S NEW POWERS – REPERCUSSIONS FOR EUROPE



BUNDESKANZLERAMT  ÖSTERREICH | BertelsmannStiftung





## Salzburg Trilogue

Surrounded by the stimulating atmosphere of the Salzburg Festival, the Salzburg Trilogue brings together renowned representatives from the arts, business and politics to engage in crosscutting and future-oriented discourse.

Addressing an annually changing topic, the Salzburg Trilogue strives to foster reflection and a lively debate of fundamental cultural issues, commonalities and values that are of social significance for Europe.

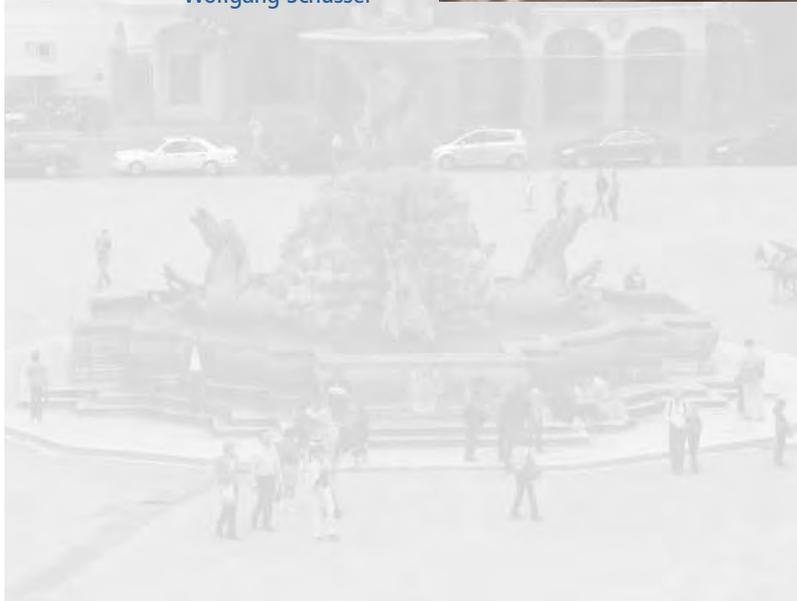
The project is a joint initiative of the Austrian Federal Chancellery and the Bertelsmann Stiftung.



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The format of the Salzburg Trilogue is designed to bring together representatives of three worlds – politics, business, and the arts – for a joint exploration of the key issues of our time. Salzburg itself is a natural location for such a colloquium: Situated in the heart of Europe, it's a city where world-class artists gather every year to enrich us with their outstanding performances at the Salzburg Festival. All of the Trilogue's participants attend as private individuals, representing nobody but themselves. The objective is a free and open exchange of views, attitudes and visions. Some people keep asking me, why do you take the time to organize these gatherings? The answer is: because I find them both refreshing and enlightening. I always learn a lot and am nourished for several months afterwards thinking about the ideas, insights and arguments offered by our participants.

Wolfgang Schüssel



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# Preface

Dr. Wolfgang Schüssel

In 2006, for the fifth time, the participants of the Salzburg Trilogue shared ideas and thoughts about an important issue, bringing together the various points of view from the arts, business and politics. This year's agenda dealt with the rapid rise of Asian nations, the impact of which can be experienced all over the world. Although we cannot predict all the consequences of these developments, it is important to consider possible strategies on a global scale and think of ways to overcome contradictory interests and values between the Eastern and the Western parts of the world.



The “Asian Century” poses a lot of questions. We do not have simple answers how to handle the growing economic power, the almost insatiable hunger for resources, the environmental consequences, and the evident differences in mentality and culture. However, we need to combine our knowledge and creativity to explore the ramifications of these issues. Instead of being frightened we should be curious to discover this part of the world with all its treasures and dynamics.

I am very grateful that again a number of distinguished guests followed our invitation to come to Salzburg and to spend a couple of days together to discuss these questions. Their contributions were extremely valuable and this brochure gives an impression of the inspiring debate we enjoyed. I owe special thanks to Liz Mohn and her team for their perfect cooperation in preparing and organizing this event. It is always a pleasure for me to work with her and we share the strong belief that an open and honest dialogue can help to solve problems and to bridge the gaps and tensions that exist in various parts of the world.

Federal Chancellor Dr. Wolfgang Schüssel  
Federal Chancellor of Austria, Vienna

# Preface

Liz Mohn



Europe must reposition itself vis-à-vis its partners if it is to respond to the geopolitical and economic developments the world is currently experiencing. Austria's EU Presidency, which ended a few weeks prior to the 2006 Salzburg Trilogue, made an important contribution to doing just that. We must all work together to bring new vigor to "the European project." To my mind, the Salzburg Trilogue - where business, political and cultural leaders come together to exchange ideas - serves as a formidable driver for such joint efforts. What's more, in an anniversary year dedicated to celebrating Mozart's life and music, the city of Salzburg proved a particularly appropriate setting.

Given its remarkable economic development, demographic strength and cultural achievements, Asia has captured our attention, not least because of the diverse challenges it has presented to Europe. If it is to undergo the necessary economic and social adjustments and take advantage of the opportunities that globalization and the "Asian Century" bring, Europe must begin focusing more on others and less on itself. It must learn to be more flexible and more curious. Many Europeans still know far too little about Asia. What will the full impact of Asia's economic growth be on Europe? Do we understand how Asia perceives the world? Are we cognizant of the values that inform the actions of Asia's citizens and leaders?

The above uncertainties made our discussions of the Asian Century and its economic, political and cultural repercussions all the more acute. At the same time, neither Europe nor Asia alone will be able to supply satisfying answers to the current global challenges. The new century will therefore be neither European nor Asian, but will be - as participants in Salzburg described it - a Global Century.

I would like to thank everyone who contributed to making the 2006 Salzburg Trilogue a success. This includes all of the speakers for their thought-provoking presentations, and all of the participants for their constructive input during our roundtable discussions. In particular, I would like to extend my heartfelt thanks to Dr. Wolfgang Schüssel for his expert skills as co-host and moderator and for providing such a welcoming venue - not to mention for his outstanding collaboration over the past few years.

## Liz Mohn

Chair of Bertelsmann Verwaltungsgesellschaft, Member of the Supervisory Board of Bertelsmann AG, Vice-Chair of the Executive Board and of the Board of Trustees of the Bertelsmann Stiftung, Gütersloh

Asia is, characteristically, the Orient quarter of the globe – the region of origination.

It is indeed a Western world for America; but as Europe presents on the whole, the centre and end of the old world, and is absolutely the West – so Asia is absolutely the East. In Asia arose the Light of Spirit, and therefore the history of the World. [...] The History of the World travels from East to West, for Europe is absolutely the end of History, Asia the beginning.

Georg Wilhelm Friedrich Hegel  
"Lectures on the Philosophy of History" (published 1837)



The Economist handout of an ancient map that may prove it was a Chinese eunuch who discovered America and not Christopher Columbus. Dated 1418, the map was presented in Beijing on January 16, 2006, and could show that it was in fact Admiral Zheng He who got there first – more than 70 years before Columbus.

Photo: The Economist (c) dpa-Report



A recently released postage stamp “eternalizes” China’s first manned spaceflight. On October 16, 2003, China successfully completed its first manned space shot when the capsule carrying astronaut Yang Liwei landed smoothly in the grasslands of northern China. “The spaceship functioned well. I feel good and am proud of my country,” said the 38-year-old pilot, who was hailed as a national hero. Government officials compared the spaceflight to the country’s first nuclear weapons test, saying the success in outer space had bolstered the nation’s self-confidence.

Photo: (c) dpa-Fotoreport

# Asia's New Powers – Repercussions for Europe

## Discussion Paper

presented by the Bertelsmann Stiftung

### I. Introduction

#### The Asian revolution

Within the area delineated by Pakistan in the west, Japan in the east, China in the north and Indonesia in the south, a revolution that has immediate implications for Europe is taking place. The rapid economic upswing on the other side of the Eurasian continent, especially the opening of mass markets in China and India, has already altered the basic parameters of the global economy. The global market share that Asia is gaining is concurrently being lost by others. The growing success of many Asian countries has increased their self-confidence. Their demands that they be accorded a meaningful voice in world politics are growing. In addition to Japan, two major non-European powers, China and India, are making their presence felt on the world stage, powers that consider the US-European dominance of the international system a historical phenomenon of limited duration. Their interests and values tend to contradict those of the West. They, too, are competing for limited resources; they, too, are asserting their right to independent development, cultural influence and self-determined decision-making in the realm of foreign policy.

Many developments in Asia remain incalculable. To what extent current economic growth and the attendant increase in power will continue cannot be known. The consequences of rapid growth for Asia's social systems and environment remain to be seen. And the numerous rivalries between countries could overshadow, if not even postpone the "Asian Century".

Despite these question marks, it cannot be denied that Asia's significance is increasing already today. Asia's attitudes and priorities will move more into the foreground, while the political, economic and cultural influence of the Western world will suffer a relative decline. This challenge can no longer be apprehended through a Eurocentric point of view. In order to expand this view, the most important trends fueling Asia's development must be subjected to an examination and diverse strategies for Europe must be formulated.

## II. Economic trends

Asia's growing economic importance is not an anomaly, rather the return to the pre-colonial state of affairs. Not only at the beginning of the modern age, but also until the 19th century did Asia generate more of the globe's industrial production than both Europe and the United States combined. Since the end of colonial times and ideological fetters that had been in place during the Cold War were cast aside, Asian nations have been in a position to return to the international stage – and to take advantage of both their demographics and their desire to catch up.

### 1. Demographics

More than 3 billion people live in Asia today. More than 75 percent reside in China and India, with their populations of 1.3 billion and 1.1 billion, respectively. Their statistical dominance over the other nations of the world will only increase in the future. According to estimates made by the United Nations in 2004, India will surpass its neighbor demographically in the coming decades, growing to a population of 1.6 billion in 2050 compared to China's 1.4 billion. Overall, Asia will be home to more than half of the global population. At the same time, the population of the United States – thanks to its pro-immigration policies – will increase to 395 million inhabitants. Europe, in contrast, is set to shrink, from a current 730 to approximately 650 million inhabitants.

That demographics unfold not only sociopolitical data but are also of economic significance can be seen through the changes that are set to occur in the population's average age. While the average age will in fact increase and tend to converge everywhere around the globe, for Asian nations the “age trap” will snap shut later rather than sooner. In coming decades, Indians and Chinese will remain significantly younger than Europeans. For the foreseeable future, Indians, Chinese and Americans will therefore be residing in societies that are more productive and, most likely, more ambitious than those of Europe.

### 2. Economic growth

Of the 12 national economies that grew the fastest in the last 25 years, 10 are located in Asia, with China and India being the 2 most significant. Since 1980, the Chinese economy has grown by 868 percent, and the Indian economy by 311 percent. The growth of the US economy, at 118 percent, and the German economy, at 56 percent, seem modest in comparison. China is now Asia's largest exporter and, in terms of Gross Domestic Product, has even surpassed France to become the globe's fourth



Asia is home to more than half of the world's population, with a young and growing workforce, and expanding middle-class in a number of countries. The most significant demographic change in the Asia-Pacific region in the next two decades – apart from changes in the age structure of populations – will be the rapid growth of urban populations which is driven by technological, social, cultural, and economic changes. Asia-Pacific's urban population is projected to grow by over 580 million people between 2000 and 2020, an increase of about 45 percent, while rural populations are expected to shrink in practically all of the region's countries. For the first time in history, the region's urban population surpassed its rural population in the last decade.

Photo: (c) picture-alliance / Godong

largest economy. It will only be a few years before it overtakes Germany (third place) and Japan (second place). Leading economists at the US investment bank Goldman Sachs even consider it possible that China's GDP could exceed that of the United States by 2035, many years earlier than expected. Within the same timeframe, India could potentially outpace Japan to become the world's third largest economy.

Currently, China and India only account for 6 percent of global Gross National Product (GNP). Even if that share climbs to 19 percent when adjusted to account for relative purchasing power, it is hardly a cause for concern. Yet according to Goldman Sachs, in 20 years the shares of global GNP ascribed to Europe and the United States will have fallen from one-third to one-quarter each. At the same time, it is estimated that China and India will have tripled their shares of world production and will have economies that are almost as large as those in Europe and the United States. By 2050 a wholly new scenario will have established itself, with China having the largest single share of global GNP. If Asia is not beset with strife or outright warfare, India, China and Japan will, four decades from now, be producing half of the globe's economic output.

The People's Republic of China is the only country in the world that understates its economic growth in order to prevent foreign investors from becoming alarmed at the prospect of economic overheating. Yet the growth rates of Asia's other countries are also impressive. With the exception of highly developed Japan and a few smaller "failed states," almost all countries in the region evince stable growth rates of over 5 percent; many, such as India and Vietnam, have rates that are considerably higher. The "Asian crisis" of the late 1990s showed that, politically and economically, most Asian nations are able to respond effectively to setbacks, which could feasibly occur at any time. Asian specialists point out in this context that demographic and economic background conditions are supported by a host of "soft" factors, which cannot be measured. In many parts of the continent, for example, a sense of dynamism has made itself felt, a natural characteristic of societies that are in the process of recreating each other. Many Asians seem more willing to change and to endure hardship than Europeans, who have now experienced decades of prosperity. Drastic reforms such as the doubling of fuel prices (in Indonesia), the sudden introduction of a 10-percent value added tax (in India) and a considerable reduction in personal freedoms as the result of measures to combat terrorism are all accepted without undue complaint. The acceptance of short-term, painful developments can be ascribed, not least, to the wide-scale belief that things are headed in the right direction. According to a survey carried out in May 2005 as part of the Pew Global Attitudes Project, some 75 percent of all Chinese and Indians are optimistic about their lives and their prospects for the future. Conversely, in almost all European nations the numbers are reversed: 82 percent of Poles, 73 percent of Germans and 71 percent of the French are dissatisfied about the current state of affairs in their country.



A migrant worker hauls his daily stash of recyclable trash to a collection site in Beijing. In China, recent reforms have created a market economy, cut back on the government's influence and introduced the rule-of-law concept – and have thus had a profound impact on the life of the average Chinese. Despite such changes, however, there still remains a huge income and education gap between rural and urban dwellers.

Photo: UPI / Stephen Shaver / Landov (c) dpa-Report



A steamroller destroys 1,000 shower heads illegally copied which were based on originals made by the German manufacturer Hansgrohe. The German company organized the event to protest the "explosion of pirated goods coming from the Far East." The illegal shower heads were confiscated from a retailer in Strasbourg, France.

Photo: (c) dpa-Bildarchiv

### 3. Specific Challenges

Europe in particular faces the key challenges of offshoring, the loss of innovation-led advantages, the infringement of intellectual property rights and the new financial power of Asia.

#### a) Offshoring

Labor-intensive production will continue to head eastward in coming decades; even more difficult times are now commencing for the West's blue collar workers. Major corporations find themselves increasingly forced to shift their manufacturing activities to Asian countries, not only because labor costs are lower there, but also because they want to be geographically closer to global growth markets. The same is true for the service sector. Today, India can offer almost every knowledge-based service more effectively and more cheaply than competitors in the West. Indian call centers, which support the customers of Western companies, were only the beginning. The clearly increasing trend toward what Dr. Dieter Ernst from the East-West Center has coined "innovation offshoring" will be even more of a challenge for Europe.

Globally active corporations are leading this development by shifting individual phases of innovation processes to Asia in order to gain access to its sizeable pool of low-cost talent and the innovation potential of leading export economies in the region. As a result, cross-border corporate networks are giving rise to new "global innovation networks" in addition to existing "global production networks." OECD member states are increasingly fearful that innovation offshoring is slowly undermining their economies, especially the research and development (R&D) sector, the most valuable source of economic growth. It is no longer simply a matter of adaptation – in Asia, innovation offshoring is leading to the creation of entirely new products and process chains. In Bangalore, for example, Ferrari is digitally optimizing its Formula 1 motors. The Swedish power plant builder Alstom now has 300 Indian engineers at work there designing "the most environmentally-friendly, next-generation power plant solutions." And Bosch has 3,400 staff developing a range of products, including software, navigation systems and state-of-the-art motor controlling devices. More and more European companies are moving to Asia, not only for reasons of cost-effectiveness, but also because they are unable to find qualified personnel of the same caliber in Europe.

#### b) Innovation-led advantages

The shift in innovation potential is being actively promoted by many Asian governments who have improved their capacity for innovation through targeted "innovation policies." Primary examples of this are Japan, Taiwan, Singapore and South Korea, which make up the group



DaimlerChrysler Chairman Dieter Zetsche touring the company's new automobile facility in Beijing on September 15, 2006, following the plant's official opening. In his remarks, Zetsche said that the new factory will be a key driver of DaimlerChrysler's future growth in Asia. The facility, located just outside the Chinese capital, will initially produce Mercedes E-class models, with C-class vehicles to follow next year. The plant will also assemble cars for the Chrysler and Mitsubishi brands. The facility was built at a cost of € 1.5 billion and employs a staff of some 1,200.

Photo: DaimlerChrysler Handout / Doug Kanter (c) dpa-Report

of “core innovators” and which stand at the top of the value creation chain. Since the 1960s, these countries have used their export-oriented industrial policies to improve conditions in technology-intensive manufacturing industries and in their innovation activities. They have used comprehensive measures, including state subsidies for R&D and major investments in education and training. A comparison of R&D as a proportion of GDP in the year 2003 shows that, on average among OECD members, Japan and South Korea, at some 2.5 percent, are among the leading nations, compared to the EU average of approximately 2 percent.

Within Asia, Japan is still considered the leader in technology, which represents a challenge both for the EU as well as for the United States. Even before the end of the economic crisis of the late 1990s, the Japanese government began to heavily promote innovation-related activities. South Korea is among those countries that have a high share of high-tech exports and has increased its competitiveness by virtue of more and better innovation policies. It should also be noted that South Korea has a relatively small number of scientists, but, nonetheless, has a high level of scientific output when it comes to research. Taiwan's competitiveness is even more pronounced, thanks to its own considerable investments in R&D; more problematic is the quality of its business organizations, since its success rests largely on a limited number of large corporations in the electronics sector.

China and India are only slowly making their way into the group of core innovators. In keeping with its industrial policy, China is directing foreign investment primarily into sectors with a high level of value creation, in particular IT, biotechnology, new materials, chemicals and construction. In general, India's performance when it comes to innovation is still seen as relatively weak, although it has demonstrated spectacular success in select sectors such as biotechnology and IT. More of a problem is its relatively low R&D expenditures and the limited number of patents it registers, despite its considerable pool of well-educated scientists. Both India and China's innovation capabilities are expected to accelerate quickly.

### c) Duplication

Asia has established itself as a master of duplication, something that is threatening the existence of more and more Western companies. The activities – which began in the 1980s with low-end toys and continued in the 1990s with luxury consumer goods, CDs and videos – now include highly-complex machines, vehicles and power plants. It is not uncommon for copies to find their way “back” to the global market, where they compete with the originals, which are significantly more expensive without being of significantly better quality.

Above all, those who have done business in China increasingly report of illicit methods. The Chinese use huge contracts to increase the in-house profit expectations of international corporations to the point that managers can only be assured of staying in business if they also win the next round of contract bids. That is when the host nation

then increases its demands to an excruciating level: The contract goes only to those who are willing to permit a technology transfer of 100 percent. Chinese industrial spies, who find their way into Western companies, ensure that only the latest blueprints are made available. China's engineers, many of whom have been educated at top-notch universities in China and abroad, continue to develop the technology, regardless of how it has been acquired from the West. This excessive piracy could, however, prove to be to China's disadvantage in the medium term when it comes to enticing foreign firms to invest. Many companies have already used India's more secure production facilities and legal norms as justification for doing business there.

#### d) New financial power

Even if investment still flows primarily from West to East, it is clear that Asia's actors are aware of their growing financial power. The takeover of the European steelmaker Arcelor through the Holland- and London-based Indian steel magnate Lakshmi Mittal is one of the most prominent examples. But in other industries, takeovers are also occurring - with price tags in the billions - that are being led by Asian enterprises. What remains unclear is what the long-term consequences will be, both on the corporate and management cultures of the affected European companies as well as on social standards, if the trend continues. That the United States, however, barred the door when China tried to take over the oil company Unacol shows that national (security) interests can indeed play a determining role.

Moreover, the considerable accumulation of currency reserves in Asian central banks increases their influence on international capital markets. China alone is theoretically in a position to impact the dollar exchange rate to a significant degree and thus cause financial disruptions on a global scale. Any interest in such activities, however, is undoubtedly limited, since China, like most Asian nations, is already deeply integrated into the global economy and would itself feel the discomfort directly. Yet the dollar reserves remain an indicator of the increasing interdependence between Asia and the West, a state of affairs of which both parties must make productive use.

## 4. Europe's opportunities

The continued growth - which, among other consequences, will increasingly turn larger swaths of Asia's social strata into consumers in coming years - offers European companies the possibility of expanding sales, even if the market "at home" stagnates. Ideally, European companies would increasingly enter into partnerships that are beneficial to both sides. Smaller and midsized industries, in particular, could synergistically meld their top-of-the-line technologies with Asia's low-cost production and development facilities.



According to estimates by the World Tourism Organization, the number of people visiting Europe from the East Asia/Pacific region will rise from less than 100 million in 2000 to over 200 million in 2010, and will eventually climb to over 400 million by 2020.

Photo: Bernd Settnik dpa / lbn (c) dpa-Report

### III. Political climate change

For many centuries, Europe and the United States have dominated the international order. Yet the tendencies that Henry Kissinger recently described as “the shift in global power potential to Asia” are undeniable. This summation is based on the realization that both the world’s economic and political centers are moving eastward, heralding the “Pacific Century.” In a survey carried out on behalf of the Bertelsmann Stiftung on the subject of “World Powers in the 21st Century” and published in June 2006, respondents in both East and West said that they believe the relative power of nation-states within the international order is again shifting. They feel that, following the end of the Cold War, the current phase in which the United States acts as the world’s sole superpower will also come to an end in the medium term. The survey’s participants believe that, in addition to the United States, the circle of coming world powers will include China and India, with Russia and Brazil potential members and, behind them, the EU and Japan.

Not only do the reactions of the survey’s respondents in China and India, as well as in other countries, suggest that these two nations will rise to become the main Asian powers in the medium term; the histories and realpolitik of both also suggest the same.

#### 1. Great powers, old and new

Both countries have dominated their neighborhood for centuries. In the 15th century, at the height of its power, the Chinese system of tribute extended from Central Asia to the Malayan islands and the Indian Ocean, and on to the coast of Africa. The subcontinental kingdom of Ashoka and the Guptas also extended far beyond today’s India – as did the foreign-led Indian realms of the Moguls and the British. Even today, the areas bordering China remain marked by Chinese culture, as those neighboring India are Indian.

Fueled by globalization and today’s considerable worldwide migration, Asia’s sphere of influence is again extending to the rest of the world. Large Indian minorities can be found in a number of regions, including the Arab world, Africa, Australia, Great Britain, Canada and, especially, the United States – where they are bumping up against more and more Chinese. In almost every part of the globe, Chinese and Indian minorities are bridge builders who reconnect with the homeland, a trend that can increasingly be seen on the European continent.

All Asian countries cultivate a strong national identity, something that until now has only made itself felt on a regional basis – in China’s conflicts with Taiwan and Japan, for example, as well as in the tensions between India and Pakistan over Kashmir – although this could change. Such identities feed the desire to be seen as a great



Given the March 2006 US-Indian agreement on the civilian use of nuclear power, India has taken the lead over its rival and fellow nuclear power Pakistan. India will be provided with nuclear reactors, de-facto recognition that the country now belongs to the globe's nuclear elite. Responding to criticism of the agreement, White House Press Secretary Tony Snow said, "The agreement reflects India's growing importance as a partner and ally of the United States."

Photo: EPA / INTER SERVICES PUBLIC RELATIONS (c) dpa-Report



Chinese President Hu Jintao (left) shakes hands with Indian Prime Minister Manmohan Singh prior to a meeting in New Delhi on November 21, 2006. President Hu Jintao was on a four-day official visit to India which aimed at consolidating trade and bilateral cooperation as well as ending years of mistrust between the Asian giants.

Photo: EPA/HARISH TYAGI (c) dpa-Report

power, which helps explain why Beijing and Delhi, despite paying lip service to the idea of multilateralism, are quite adept at traditional power politics, which places national interests above all else.

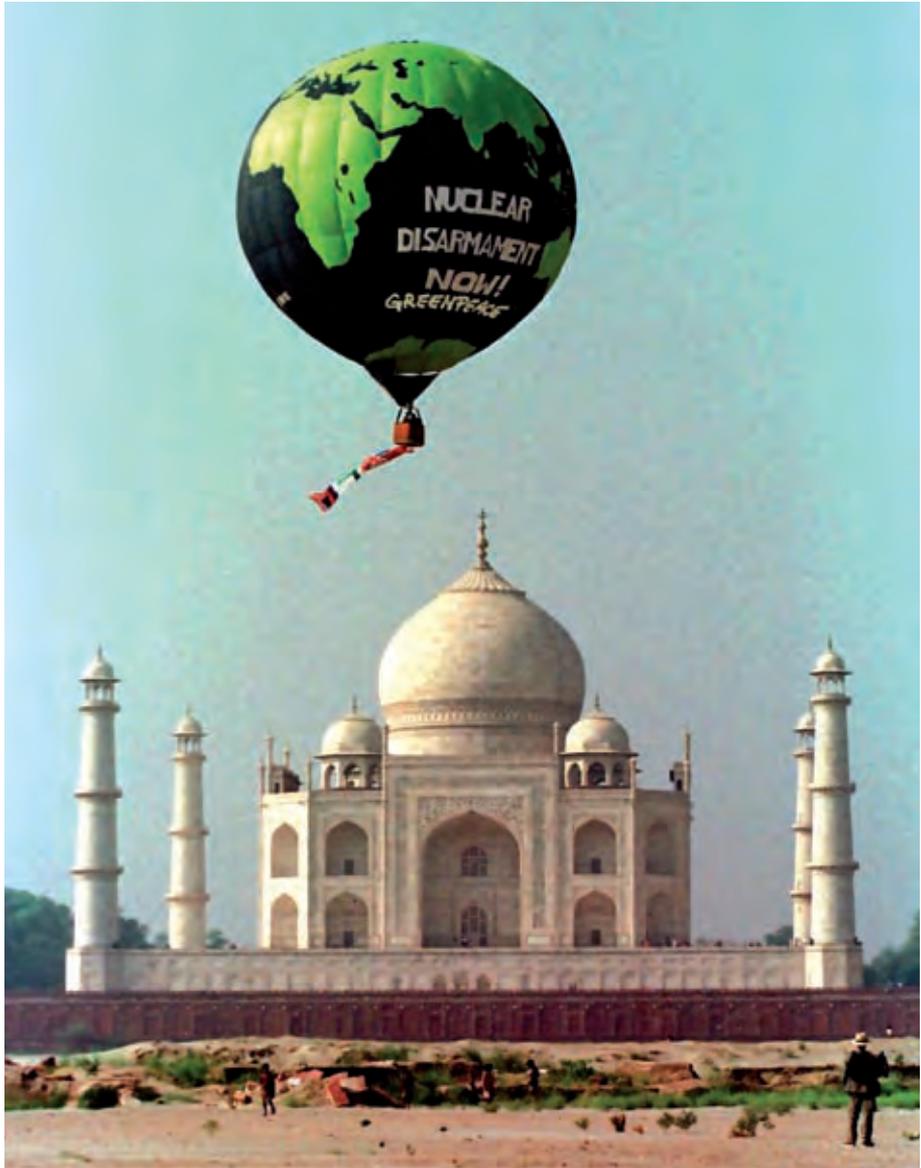
## 2. Asian great-power politics

The rise of China and India is altering the political map, both within and outside of Asia.

Within the region, the dominant position of the United States is being challenged primarily by Beijing, something that is cause for concern not only in Washington, but in Asia's capitals as well. A strategic power struggle has begun in Asia, and its major actors are the United States, China and India, while Russia, a nuclear power rich in natural resources, also plays a role.

Asia has become the staging ground for classic power and balance-of-power politics, the kind that Europe has not known since the middle of the 20th century. The country that probably benefits most from this state of affairs is India, who is seen by many, above all by the United States, as the only counterweight to China in the region. And Delhi is cashing in on this expectation, without actually taking on the role of counterweight. Its economy is still too small to create the necessary dependencies, and it does not have a permanent seat on the UN Security Council. However, India does not allow itself to take on a position that is opposing China - the benefits of closer relations with its booming neighbor are too attractive. Instead, India is a committed player in the Asian context and is working to advance regional issues, first and foremost in the area of economics and, most recently, through the East Asian Community - the first cross-regional initiative to take place without the participation of the United States and, thus, an appropriate venue, despite any intraregional rivalries, for nurturing the fledgling "Asian identity."

India and China constantly outgrow their current positions as regional players: Not only their nuclear arsenals and rocket systems, but their naval fleets and, not least, their manpower are all of requisite size for global engagement. Politically, they are as well on the way to transforming themselves from regional to global powers. Proof of this is the war in Iraq, which Washington could only begin once Beijing signaled it was willing to remain silent. In the two most dangerous crises of recent years - those surrounding the nuclear weapons programs in Iran and North Korea - China's position is key. In turn, after decades of remaining aloof from the international concept of nonproliferation, India has now been recognized as a nuclear power by Washington, contrary to all international legal norms.



Riding in a hot air balloon in the form of a globe over the Taj Mahal in 1998, environmental activists from Greenpeace protest the tests that transformed India into a nuclear power. Banners saying "No Nuclear Weapons" and "Nuclear Disarmament Now" hang from the balloon.

Photo: (c) dpa-Fotoreport

### 3. Specific Challenges

The change in political climate is having three major impacts on Europe: through an increasing competition for resources, through the dangers associated with a renewed arms race and regional weaknesses, and through the change in the international rulebook.

#### a) The competition for resources

The rapidly growing need for energy, particularly in China and India, is already being felt in the form of increasing pressure on the oil and gas markets. Industry experts largely ascribe today's high energy prices to the demand originating in Asia. While European demand will rise this year by less than 1 percent, China's needs are growing between 7 and 17 percent each year. According to estimates by the International Energy Agency, India's energy consumption will rise by at least 30 percent in the coming 5 years. Around the globe, a new "great game" has commenced, in which the new Asian powers are playing an ever larger role. Both Beijing and Delhi consider themselves disadvantaged in the Western energy markets, which they perceive as being largely dominated by the United States, and are developing Asian partnerships – in Syria, Burma and Iran, among other locations – in response. This is giving rise to new strategic relationships, between China and the resource-rich nations of Africa and Latin America, for example, as well as new political conflicts. China and India are wooing autocratic states, while the West, concerned about their infringement of political or human rights, is seeking to either alter their behavior or to isolate them.

#### b) The dangers of an arms race and intra-Asian weaknesses

Even if, given their considerable mutual dependencies, no immediate threat of war between the major (nuclear) powers exists, the ongoing conflicts over Taiwan, Korea and Kashmir remain potentially explosive. On-the-ground nationalism brings with it the constant threat of irrational behavior. What's more, the rivalries are being accompanied by an arms race in all military and technological areas. Although the Asian arms industry is not at top level yet (apart from satellite and space research), an arms race which has already been described as a „second nuclear age“ has started in the region. As the Stockholm International Peace Research Institute announced in June, Asia's military expenditures in the 10 years between 1995 and 2004 rose by 28.5 percent on average. Again, the major drivers behind this growth were China and India, whose military budgets increased in the same decade by 170 percent and 72 percent, respectively. In contrast, the officially reported military outlays of the United States rose in the same period by 34.4 percent; in Western Europe, where expenditures actually fell for the first time in 2005, the figure was only 4.8 percent.

Japan, in particular, is watching China's arms increases with concern; it is strengthening its military and, despite its painful experiences in Hiroshima and Nagasaki, is officially considering the acquisition of nuclear weapons for the first time. As a result, the alarm is increasingly being sounded about the dangers of an arms race between China and Japan, especially given their competing territorial claims in the resource-rich East China Sea.

An arms race also increases the danger of a proliferation of weapons of mass destruction. It is threatening enough that countries such as Iran and North Korea benefit from the black market in nuclear technology; but this is nothing compared to unimaginable global consequences should Islamicist terrorist organizations manage to acquire atomic weapons. The machinations of the Pakistani nuclear arms dealer Abdul Qadir Khan, which have recently come to light at least in part, have provided a glimpse of the possible horrors of such a scenario.

The breakneck social and economic changes taking place in Asia also bring with them great potential for inner-state conflict. Wide-scale strikes in China and waves of suicides among impoverished Indian farmers intimate the social dynamite inherent in such metamorphoses. Crises that slow growth could well lead to a situation where social disparities are no longer tolerated and give rise to massive unrest.

Unclear, too, is the impact unbridled progress might have on the environment. Even if awareness of the attendant risks has become evident in many Asian countries and governments have begun budgeting resources for environmental protection, it remains questionable if the high levels of degradation impacting the water, soil, air and climate can be adequately offset. According to the World Watch Institute, greenhouse gases have risen by 90 percent in India alone in the past 15 years; what's more, they are expected to skyrocket within the next 30 years from a current 1 billion to 6 billion tons. Even if awareness of the attendant risks has become evident in many Asian countries and governments have begun budgeting resources for environmental protection, it remains questionable if the high levels of degradation impacting the water, soil, air and climate can be adequately offset.

### c) A change in the international rulebook

The renaissance of national power politics is undermining efforts to structure and codify international relations along multilateral lines. China and India have the same utilitarian perspective when it comes to international agreements and organizations that the United States does: They are supported when they are useful for advancing one's own interests and ignored when they prove a hindrance. India, for example, has refused to adhere to any of the UN resolutions on Kashmir. What's more, along with China and the United States it has boycotted



A bicyclist on a main thoroughfare in Beijing holds a hand in front of her face to avoid inhaling smog. In Germany, there are 550 automobiles per 1,000 inhabitants; in China, there are only 9 per 1,000. Yet the automotive market in China is booming. Given the country's explosive growth rates and its billion-plus population, traffic-related pollution generated by a country of over 1 billion inhabitants is likely to be one of the greatest challenges of the future.

Photo: (c) dpa-Fotoreport

empowerment of the International Criminal Court and diluted the Kyoto Protocol for reducing greenhouse gases by introducing alternative regional initiatives. A “bilateralization” of world politics has become evident instead. While Europe continues to emphasize the authority of the World Trade Organization, the United States and many Asian states are negotiating bilateral free-trade agreements and, thus, are ensuring themselves national advantages – at the expense of European businesses. Absent a security structure similar to the one that exists in the Atlantic region, Asia lacks effective tools for conflict resolution and management. Institutionalized forums such as the APEC summit or ARF regional gatherings are only of limited use. Current crises are addressed by ad hoc bodies (six-nation talks on North Korea) or “coalitions of the willing” (following the tsunami 2004/05). The era of organized multilateralism, which Europe has committed itself to, threatens to descend from its zenith and give way to a new period of great powers competing against each other for supremacy, something many believed to be an outmoded concept from a bygone age.

#### 4. Europe’s opportunities

For the EU and its member states, the emerging multipolar world order certainly offers more than just disadvantages. Even if Europe’s importance declines, it will continue to be seen from all conceivable poles – the United States, China and India, as well as Russia and Brazil – as a constructive, reliable member of the global community, one whose relations with other regions and countries are largely unencumbered by unresolved historical issues. This provides Europe with the freedom to maneuver politically – not least, to forge new coalitions able to develop solutions for pressing global issues. The role of a mediator, however, which the EU has acquired over the course of its history, brings with it the danger of losing sight of Europe’s own interests, which would not be completely met through the objective of world peace or the successful promulgation of democracy and human rights.



With the swearing in of its first 18 judges, the International Criminal Court was inaugurated on March 11, 2003, to prosecute perpetrators of genocide, war crimes and crimes against humanity. Speaking at the opening ceremony, UN Secretary-General Kofi Annan stressed the deterrent effect that the new court would have, noting that such a body "has been lacking up until now." The United States, India and China are not members of the court.

Photo: (c) dpa-Fotoreport



Dancers rehearse for "Bollywood – The Show," created by Toby Gough. Produced especially for the European market, the musical combines colorful images, dance routines and soundtracks from Indian films of the past 80 years. The show has benefited from the enormous popularity of Bollywood movies among Europe's cinema- and TV-watching public.

Photo: Herbert Schulze dpa (c) dpa-Report

## IV. Cultural impact

Given the heterogeneity and different historical experiences of the Asian continent, it is difficult to speak of an “Asian culture”. Nonetheless, the notion of “Asian values” – collectivism, discipline, a respect for the family and a respect for authority, introduced at the beginning of the 1990s by former Singaporean Prime Minister Lee Kuan Yew and former Malaysian Prime Minister Mahathir bin Mohamad to stand in contrast with “Western values” – has proven more enduring than many Europeans might have wanted to believe. Whether “conservative” values will experience a temporary renaissance in Europe by virtue of their popularity in Asia remains questionable, since these Asian values are not necessarily of an enduring nature. To the extent that Asia integrates into the globalized world, its local cultures change and take on unknown characteristics. Economically developed societies such as Japan, South Korea and Singapore demonstrate, for example, that traditional adherence to Confucian ideals can lessen without being replaced by Western concepts.

At the same time, it cannot be denied that Asian influences are becoming increasingly felt in the West. This is true not just of the presence of high-profile artists in the international cultural scene. It is also evident in mass culture. Directors such as Ang Lee or Zhang Yimou are honored at international film festivals; Bollywood, with its more than 800 films a year, is the world’s most prolific dream factory; and elements of Asian lifestyles, such as feng shui, karaoke, manga, sushi and yoga, are now part of everyday life in the West’s urban centers.

The more decisive changes, however, are taking place at a deeper level. As Asia’s actors enter the world stage – in organizations, governments and corporate headquarters – not only will their interests be accorded a greater role, so will their values, languages and cultural preferences. The way that China is promoting its cultural allure, the deftness with which it has defused Western criticism of its human rights policies and Asia’s religious appeal are all outstanding examples of this trend.

### 1. Soft power, a deficit in cultural trade, global languages

China in particular is currently hard at work, not only increasing its cultural appeal through global events such as the Olympic Games in Beijing in 2008 and the World’s Fair in Shanghai in 2010, but also employing diverse means to convince the world of its peaceful intentions. At the Bertelsmann Stiftung’s International Cultural Forum in Beijing in 2004, the extent to which China would like to shift the deficit in the so-called “cultural trade balance” with Europe and the United States more in its favor was made clear. Strategies for increasing demand for Chinese cultural products and



The renowned Chinese pianist Lang Lang rehearsing with Master Class student Sigstein Folgerö from Norway at a workshop held at Hamburg's College of Music in February 2006. Lang, then on tour in Germany, expressed a desire to teach the students himself, saying that in China 20 million children play the piano and, unlike in Europe, more than 90 percent of concertgoers are young people. Lang began taking piano lessons at the age of three, and won his first competition at the age of five.

Photo: Ulrich Perrey (c) dpa-Report

an active language promotion policy have already commenced. The first tools to this end are an increase in exchange programs and the construction of Chinese cultural centers and Confucius Institutes (language centers) in diverse European cities. This language policy is of importance, given that Chinese is already spoken by an estimated 1.2 billion people worldwide, markedly more than the 573 million English speakers (of whom 41 percent are not native speakers) and 418 million people who speak Hindi. Given demographic developments, it is assumed that the number of those speaking Chinese will continue to grow and that the language's importance in the political and economic spheres – in contrast to Hindi, which is at home in English-speaking India – will increase to a greater extent than the demographics alone would suggest. China's language policies will only increase this trend. Within the next decade the numbers of Non-Chinese speaking Chinese is expected to triple to far more than hundred Million people. It thus hardly comes as a surprise that more and more European schools are offering Mandarin or Cantonese as a foreign language, even if, in contrast to the situation in the United States, this is still the exception.

## 2. Democracy and human rights

As the 2006 Bertelsmann Transformation Index has shown, the wave of democratization that has taken place over the past 30 years has also infused Asia, even if the transformation there has been uneven. The most advanced countries are the industrialized democracies of Japan, South Korea and Taiwan, although India, Indonesia, Thailand, Bangladesh and the Philippines also uphold democratic standards, albeit with shortcomings. In terms of democracy, Asia's other nations are either underdeveloped or are ruled by autocratic governments. Of particular note are the insufficient democratic standards, especially in economically successful countries such as Malaysia, Singapore, China and Vietnam. This selective modernization shows that the level of democracy does not necessarily increase with economic success. It is conceivable that Asia will continue to experiment with its own system models that do not meet „Westminster requirements“. However, excluding the military dictatorship in Burma and failed states such as Nepal and Afghanistan, Asia's development is moving more and more in the direction of increased freedoms, pluralism and a renunciation of violence and thus confirms the thesis of „change through trade“.

In contrast, the concept of general, inviolable human rights has not yet taken hold in the same way. The most notable example is China, where the mass application of capital punishment continues as the normal state of affairs and where freedom of speech, a free press and the right to assembly remain limited. A human rights clause was, however, introduced into the Chinese constitution in 2004. Yet China has mitigated its national application by making reference to cultural diversity,

historical developments and Asian values. According to the official interpretation, all basic rights are accorded by the state, inherently limited due to social considerations and must be weighed against corresponding basic obligations.

In light of this, Europe has been engaged with China in a dialogue on human rights since 1996, under the motto of “cooperation instead of confrontation.” Public pressure is meant to be replaced with constructive dialogue. Since the human rights discussions began, public pressure has undeniably diminished. But whether the dialogue has proven effective remains very much a matter of interpretation. Since the meetings take place behind closed doors and include only a limited number of participants and no representatives from critical NGOs, the dialogue is rather symbolic. In addition, it has no formal objectives. The “war against terror” and China’s recognition as a “strategic partner” have ultimately led – unlike in the past – to human rights being given a lower priority by western governments than economic and strategic interests.

### 3. Religions

The importance of religion is also two-sided. Asia is not only a hotbed of extremism (with Islamicists in Pakistan and Afghanistan, Hindu nationalists in India and radical Buddhists in Sri Lanka), it is also an example of religious tolerance and peaceful coexistence. Indonesia is home not only to the world’s largest Muslim population, its inhabitants – radical elements notwithstanding – are also undoubtedly the world’s most moderate followers of Islam. Typically, too, as the world’s largest Hindu nation, India is currently being led by Prime Minister Manmohan Singh, a Sikh, President Abdul Kalam, a Muslim, and Sonia Gandhi, a Christian.

To that extent, it is conceivable that Asia might act as a good and as a bad example at the same time. It might teach its occidental partners about getting along peacefully with other cultures and religions, while simultaneously confronting the West with extremism hitherto unknown. Many of Asia’s Muslim communities have been made aware in the past few years that they are currently engaged in a “clash of civilizations” with the Christian West. A number of factors have contributed to this potentially hostile mindset: the interventions in Afghanistan and Iraq, the crisis regarding the Iranian nuclear program and the distress over cartoons depicting Mohammed.



Two Indonesian men chat in front of posters of Myanmar opposition leader Aung San Suu Kyi which were displayed in Jakarta, Indonesia, to mark her 60th birthday on June 17, 2005. The nonviolent pro-democracy leader, human rights activist and Nobel Peace laureate has spent the last 15 years under house arrest after her National League for Democracy party won a landslide victory in 1990 elections.

Photo: EPA/MASTIRHAM (c) dpa-Report

## V. The implications for Europe

Asia's rise and the attendant shift from an Atlantic to a Pacific era means that Europe must now adjust to changing global realities.

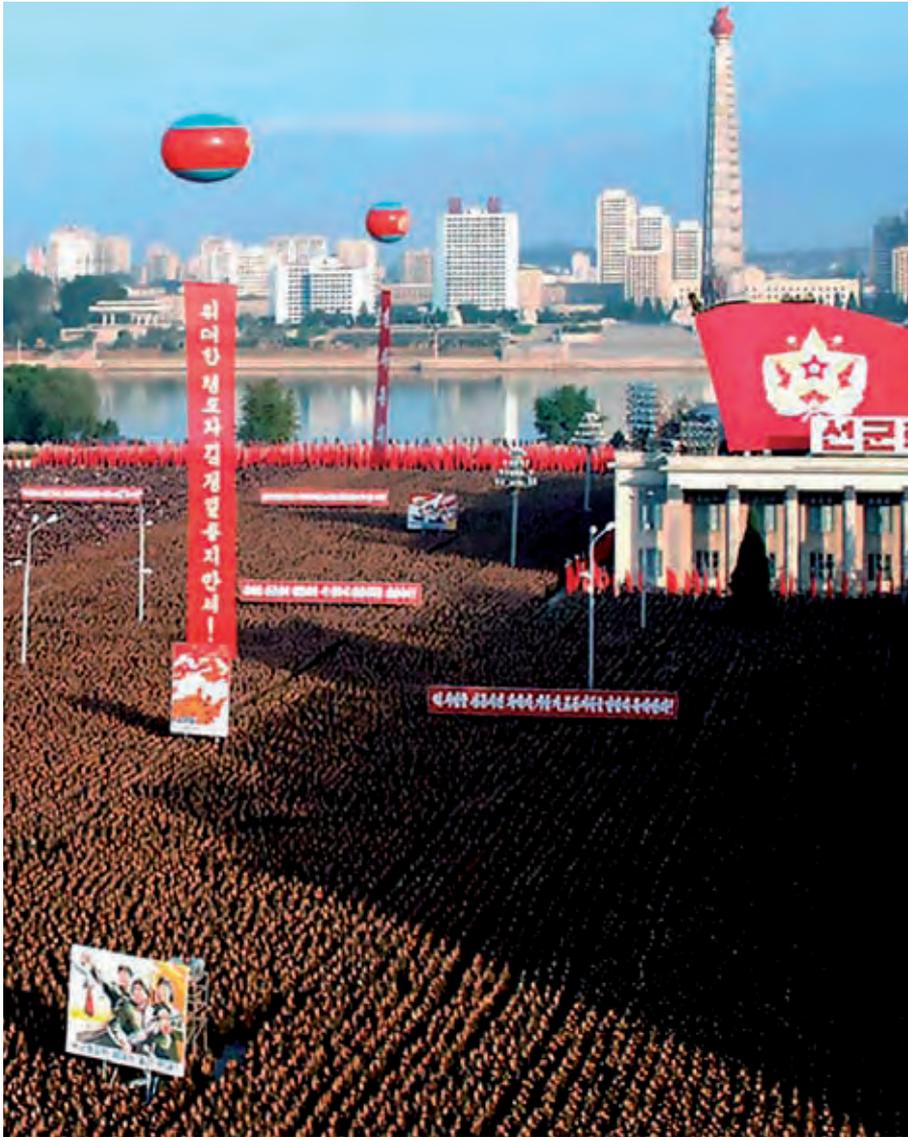
### 1. Recognizing the new multipolar world order

Europe's nations are too fixated on themselves and their own history. The horrors of the past wars and genocides and the pride in what has been achieved have limited their vision for developments beyond their own continent. Europe is no longer the center of the world, and the lessons it has learned from its history cannot serve as gospel truth for the rest of the globe. Europe has yet to adequately address the Far East's new economic, political and cultural importance. What's more, given the developing multipolar world order it must extend its transatlantic perspective by a Eurasian perspective and begin acknowledging the globe's new powers along with their worldviews and social systems.

Even if Washington will remain – and should remain – the Old World's most important partner for a long time to come, Europe must pay more attention to and increase its engagement with the Far East's rising stars, while deepening its knowledge of them. What is needed are interculturally competent think tanks and specialists who closely follow the developments in Asia and introduce them realistically and without prejudice into the current public debate. Similar to the transatlantic relationship, what must be promoted are educational programs, teaching positions at institutes of higher learning and a new generation of politicians willing and able to delve into all things Asian.

### 2. Consolidating and realizing Europe's interests

Although the image of being the “good guy” of international politics has won Europe a degree of likeability, it has not necessarily increased its influence. Except for its engagement in Afghanistan and in the Indonesian province of Aceh, Europe does not have a presence as a security-policy player in Asia. Although the EU has entered into a “strategic partnership” with India, it was US President George W. Bush who secured a place as one of Delhi's trusted allies by supporting a bilateral nuclear agreement. During the Indian-Pakistani crisis, Europe was absent, and has remained so during the conflict with North Korea. It is barely visible in the competition for new energy sources as well. While Asia's economic importance to Europe is growing in leaps and bounds, Europe's opportunities for exerting influence in Asia are declining.



A rally attended by over 100,000 civilians and People's Army military personnel held in October 2006 in Pyongyang, North Korea, celebrates the nation's successful nuclear test. The rally was held the same day that US Secretary of State Condoleezza Rice arrived in Beijing for discussions with China about the rising tensions on the Korean peninsula.

Photo: EPA/KCNA (c) dpa-Report



Premier of China Wen Jiabao speaking during the start of the EU-China Business Summit in Helsinki on September 12, 2006. The overriding theme of the Summit was "Boosting Innovations – the New Era of the EU-China Economic Co-operation", which focused on innovation for enhancing the competitiveness of both Chinese and European enterprises in the increasingly globalized environment.

Photo: Tor Wennström (c) dpa-Report

Europe needs a strategy for giving its interests a greater role on the global stage and for steering the happenings on the “continent of the future” in a direction that also serves its own interests. In Asia, Washington has usually acted in a way that also supported Europe’s interests in the past, but this is no guarantee that this will remain the case. Many of Asia’s nations would accept the EU as a co-player and mediator in regional conflicts if it brought with it the ability to resolve and secure any solutions that are found. At the same time, Europeans must clearly articulate their common values and preferences, not to mention their interests in Asia, instead of vaguely alluding to them as has been the case up until now. What is needed is the willingness to take on political and, when necessary, military responsibility. The expansion of dialogue forums such as ASEM is not sufficient. If Europe wants to remain a recognized international power, it must learn to speak as one on topics other than just security policy. What’s more, the entire framework of European politics – policies impacting everything from labor, education, energy, public finance, research, technology and space programs – must change: Leveling the playing field between Europe’s individual nations should not be the core concern of Europe’s policymakers; instead, they must focus on helping Europe become competitive on a global scale.

Europe is particularly interested in stable conditions in Asia. However, in the long-term, the behavior of countries is only predictable if they function according to a minimum of democratic practices. With all due respect for alternative development paths in Asia, the commitment to foster democracy and human rights is essential for European security policy. However, imposing democracy or human rights from the outside is neither feasible nor promising. Instead of the ritual-like and ultimately fruitless appeals on the part of Europeans to establish democratic standards and to respect international agreements, efforts should continue to promote civil society structures in Asia and to build bridges that bring both sides of the Eurasian continent closer together. Supporting private individuals and private organizations as they actively work to achieve social, cultural and environmental goals increases stability and the peaceful resolution of pressing problems within the region. In the medium term this could provide a boost to democracy in Asia in that the promotion of civic structures increases pressure from within society for more inclusiveness. In addition, robust bridges between Asia and Europe in the civil society arena, in the area of interfaith dialogue for example, could contribute to an increase in mutual understanding and help identify joint solutions for the current and future challenges of European-Asian relations. In the end, an active civil society helps complement the dialogue on human rights between Europe and China in a meaningful way.

Asserting oneself in a multipolar world in a way that is more strongly based on one’s own interests does not necessarily mean entering into rivalry with existing or rising power blocs. Many partnerships are waiting to be formed, in particular with democratic nations such as India, Japan, South Korea, Indonesia and Taiwan. The knowl-



A view of the 270-acre campus built by Indian software giant Infosys and inaugurated by Indian Prime Minister Manmohan Singh on February 12, 2005. The facility, located at Mysore, some 140 kilometers from Bangalore, is one of the world's largest, and its Global Education Centre can accommodate up to 4,500 technology professionals at a time. The company invested a total of \$119.3 million in the site.

Photo: EPA/STR (c) dpa-Report

edge Europe has gained from its own past experiences is still of interest to countries throughout Asia, and not just its societal and social welfare structures, but its proven tools for promoting integration and resolving conflict as well.

### 3. Reforming business and society

Given its demographic trends, innovation-related advantages and accumulated investment capital, Asia is increasingly challenging Europe's strategic competitiveness. This challenge must be met with a new competitive dynamism. Asia can no longer be considered the object of development policy efforts, but as a competitor who must be encountered at eye level. In order to keep the pace economically, protectionist tendencies must be resisted and measures to promote free trade expanded. Unfair competition alone must be excluded, as demonstrated in the area of illicit duplication and piracy. In order to foster direct investment over the long term, Europe and ultimately Asia as well have no other choice than to ensure that legal norms and copyright protection throughout Asia reflect international needs. Europe must strategically determine which niches it wants to call its own, niches that Asia's economies would be willing to relinquish in the coming decades. Nonstop innovation will necessarily play a key role in achieving this. Moreover, the Lisbon Agenda, designed to return Europe to the top ranks of technological production and performance, cannot fall by the wayside.

In order to retain existing advantages in key industries and modern technology, more resources must be invested in education and R&D. The ideal of a just society can only be maintained if a belief in performance and the promotion of top talent are again viewed as positive and meaningful concepts. Europe must enter into the global competition for "the brightest and best" for a number of reasons, not least in acknowledgment of demographic realities. Conditions determining how Europeans live, learn and work must once again count among the world's best. That also means more immigration, and in a more structured manner. That is the only way Europe can become an appealing, competitive union of education- and migrant-friendly societies.

The political, business, civil society and cultural arenas are faced with the challenge of expanding their dialogue and increasing their partnerships with Asia. Should Europe continue to think and act along Eurocentric lines, the EU, its member states and their citizens will all continue to be impacted by the Asian Century, but they will have no means to proactively shape it.





View from Salzburg Residenz to Mozartplatz with "Neue Residenz" and "Residenzbrunnen"

# Impressions

Photos and excerpts from the roundtable discussion



The roundtable at Salzburg Residenz



# Session 1 – Economics

## Introductory remarks

by Peter D. Sutherland

*To be led by the relatively ignorant in a debate at the Trilogue is an unusual experience. Although it is a privilege for me, it is not an experience usually afforded Trilogue participants, and therefore let me start with that – as an apology. I can only assume it is intended by the chancellor as provocation for subsequent debate, because I am no expert on Asia. I have had a certain amount of experience, particularly in my GATT/WTO days, but I am expressing my views as a European – a European with a certain prejudice.*

*First of all, I am a passionate believer in European integration. I am also a believer in global integration. So I believe in the concept of interdependence: I believe in its political efficacy and its economic value. I believe that interdependence is important for the future of mankind, so I start with the prejudice that is in favor rather than opposed to the opening of borders, in favor of the movement of people, the movement of goods, the movement of capital and the movement of services. I believe in broad terms that this creates a win-win situation.*

*Behind that generalization, however, there are a lot of substantive issues. To begin, in my view there is no such place as Asia. To talk about Asia as if it is a homogenous whole is an illusion. It is different in its cultures, in its personalities, in its religions and in its experiences, although many Asian nations have shared the experience of colonization by a European state at one stage or another. Many share some attitudes, it must also be said. There have been some very interesting surveys done on attitudes. A fairly comprehensive one done by TGI, for example, reaches the conclusion that there are very different attitudes*

*between India and China, on the one hand, and Europe and the United States, on the other; on what constitutes success and how success should be measured. In percentage terms, twice as many people define money as being the best measurement of success in China and in India, compared to Europe and the United States. Maybe this is the result of a very significant difference in relative earning power and greater need in India and China than in Europe and the United States. Yet other attitudes also differ, and I will come back to them later. Something that some Asians perhaps share is an attitude famously expressed by Gandhi, who most likely had not spent any time in Salzburg before he said it. When asked what he thought about European culture, he replied that he thought it would be a good idea. That is a point of view possibly shared by others, but perhaps Europe has more to offer in terms of culture than might appear to be the case when we consider its rather appalling history of fratricidal war and destruction.*

*Let me come back to my first point, which is that there are huge differences, even in Asia's economies. And to talk of them as one simply because they have higher growth rates than we enjoy in Europe or even in the United States is not a valid basis for saying that they form one group and we form another. In fact, in many respects we don't form a group with the United States at all in terms of economic management, although that is another issue.*

*Yet what one can say is that the advantages of globalization are evident in the performance of Asia's various economies, and globalization is*

*a vitally important part of the future of those economies. In 1960, trade accounted for 24 percent of global GDP; today it is over 50 percent. The developing countries' share of this trade has significantly increased. So we are talking about the integration of the global economy as it is actually happening and how it is having a major impact on the lives of people all over the world. Added to that we have a number of other factors: an aging population in this part of the world, and, notoriously, in China and Japan; declining work forces and productivity challenges, for us. And we have had a twin effect when it comes to inflation: On the one hand, there has been a significant reduction in the cost of consumer goods, because of the low production costs in Asia. On the other hand, we have had an increase in prices in the areas of energy and commodities, because of increasing consumption in China and India, which has resulted from their economic growth and success.*

*Before coming back to the effect on Europe and how it will make itself felt, let me say a little bit about the differences between India and China. The growth of India is sometimes overlooked because Chinese growth has been equally remarkable. Yet during the period between 1990 and the present India's economy grew at an average of 8 percent per annum. There is a middle class of 250 million people in India, and 1 percent of the poor cross the poverty line each year. Per capita income is up from \$1,178 in 1960 to \$3,051 today. But there is a huge difference between the Indian economy and its relative success and that of China. And that perhaps goes back to Gandhi, to Nehru, to an economic philosophy*

*that was based upon import substitution, on doing it alone, on what seems to me to be a most destructive protectionism, which has held back what could have been one of the world's most vibrant economies. Well, it is one the most vibrant economies, but it could have been even more vibrant if it had not been a most reluctant participant in the concept of interdependence over the past 40 years. It has maintained a degree of protectionism until relatively recent times. I think then Finance Minister Manmohan Singh began to introduce the first changes in 1991, but they have been very slow in the intervening period. I think he understands it and the current government understands it, but India remains a country that, I think, underperforms, considering its amazing, incredible potential.*

*An analysis of Indian society reveals some rather interesting statistics. For example, if you take the age group between 24 and 55, there is a much higher proportion of Indians that have had third-level education than is the case either in the European Union or in the United States. In general, the education system is also very defective at the lower end, and many are not getting the basic education that would allow them to succeed. I also can't offer a view as to the quality of that third-level education compared to what can be obtained in the United States or in Europe. But it is a remarkable society, nonetheless, one that has grown despite the disadvantages of its public policy and its agricultural policy, which is even more distorted than our own here in Europe, given its state-induced production and distribution policies. For example, Indian farmers only get about 20 to 30 percent*

of the retail price for the fruit and vegetables that they produce, because of interference with the country's market mechanisms. On the other hand, there are more than 100 companies with a market capitalization of over \$1 billion. Of the Fortune 500 companies, over 125 now have research or development facilities of substance within India. Bad loans in the banking sector make up only 2 percent of all loans, whereas the figure for China is over 20 percent. And in terms of what is called a Gini Index of the differential between the richest and the poorest segments of the community, India ranks better than China, Brazil or the United States. In terms of this income inequality quotient, India is number 33, the United States is 41, China is 46 and Brazil is 59. So this attitude to societal development, with all its disadvantages in terms of overregulation and what one might describe as a socialist or interventionist economic model, has been at least positive in the sense that income distribution between rich and poor is not as divided as it is elsewhere.

In a way, however, India has jumped the industrial revolution. It hasn't really succeeded in industry; it is succeeding very significantly in the area of services. It is succeeding, as we all know, in outsourcing. It has an issue in terms of creating real competition by including external service providers and industry in India. It is notoriously difficult and has been so for decades to start a business if you are an outsider in India. That is why we have all these joint ventures. We have a sort of crony capitalism of a kind that I think is destructive of India's own interests. Industry's share of GDP in India is only 27 percent, whereas it is 46 percent in China. Within industry, India's strength is in higher-tech and high-skill areas. This is a relatively recent phenomenon, but I hope it will continue to drive liberalization at a faster pace

than has happened in the past. So there is a lot that needs to be done. But it is a country that has enormous potential, especially given further liberalization and reform of its legal system. Bureaucracy, in my view, has stifled jobs for over 40 years, and I think that India's moment really is before us.

Looking, then, to China: Its economic progress over the last 27 years is unprecedented in world history. Its average GDP growth of more than 9.4 percent per annum is really incredible. For many years it was so incredible that most Western economists denied that it was actually happening. But it is true. Based on estimates from the famous BRICs analysis, it will be the largest economy in the world in 2041. And every time the BRICs analysis takes place, that timeframe is shortened by a number of years. China's effect on the global system of economics has been really considerable. Not least because its productivity gains of 4 percent per annum create a challenge for all of us. Remember that before 1978 it had the same GDP per capita as North Korea. The extension of the market economy has had an enormously positive effect, and in lots of ways this has been driven by and has made use of the rule-based system that was required for China to join the WTO. Anyone who goes to either China or India will see the importance of the GATT system and the WTO system far more than is the case in Europe or the United States. Everybody on the street, from the bottom to the top, knows about it. I remember arriving in Delhi at 1:30 in the morning when I was Director General and seeing a number of army soldiers around. I asked, since there was nobody else at the airport, what they were there for, and they said, "We are here to protect you." I said I was rather sorry that I didn't bring my camera. I didn't know that I was so well known. And I was brought into town with a sort of a military

Peter D. Sutherland,  
Wolfgang Schäussel



*escort which proved to be almost justified in terms of events that happened subsequently during that particular visit. This is just one example illustrating the importance, understandably and correctly, of the WTO in the minds of both Indians and Chinese. We have a lot more to do; we have a lot further to go in the liberalization process. Pascal would be able to talk about it with far more authority than I could, but things are changing.*

*For example, let me give you just a couple of statistics that stun me. Sixteen percent of the global consumption of refrigerators takes place in China, and these are rather sophisticated goods, relatively speaking. Of the world's air conditioners, 33 percent are sold in China. We are dealing here with a society that is changing incredibly rapidly. And 12 percent of the world's luxury consumption is consumed in China and, according to the latest figures, it will be 29 percent within 10 years. The working-age population will peak within a few years, but in less than 20 years China's population will be older than the population of the United States. So when we talk about our own demographic problems and the billions that we find in Asia, perhaps we should*

*recognize this development too. There is an issue there, not an issue in the same way as in India, it must be said, but a big issue in China: When the wave of aging hits, China will still only have a per-capita income of one-fifth of that in the United States. So there is still a huge disparity.*

*It is not, of course, a monolithic place: There are 20 provinces, innumerable dialects and even languages. And the issues China will face in the future seem to me to be political more than economic. I think most economists looking at the Chinese economy see it going forward successfully, as indeed they see the Indian economy going forward successfully. But one is a democracy, and the other has a pervasive one-party system, although it is moving towards a more liberalized economy and in that sense also engendering a more liberalized political system. And the real issue, I suppose, is whether corruption, particularly in the land sector and in other areas, whether bureaucracy, whether cronyism – and although attempts are being made to rid out and to prosecute those involved in it, there are still enormous problems – whether these can be overcome and resisted. At the end of the day, I am an optimist about both India and China.*

*I think India has a more stable political system. It has many of the same problems as China, however, in terms of adapting to enormous change and disparities.*

*Finally, let me talk a little bit about how all of this will affect Europe. The shift in comparative advantage, which Adam Smith correctly pointed to as being an important element of creating growth, is clear and very dramatic. It is on a scale we have never seen before and it amounts to an economic shock. There is no point in saying that it does not produce losers as well as winners. I believe that increasing global trade and global integration raises all boats - all boats in terms of all societies - whereas protectionism in my view is self-defeating and destructive. Having said that, let us not try to pretend that all sectors are going to be equally prosperous, particularly in the Old World, in facing the challenges of this new Asia, because they are not. In particular, the losers are producers in sectors that find themselves in direct competition with Asian, Chinese and Indian companies.*

*But they are winners, too. Particularly in a rule-based global economic system, which is not as damaged as we have seen it damaged, at least I hope temporarily in the context of the Doha development round. I say that because we need the rules it affords. There are a lot of winners, and in fact the nexus between Asia and Europe, despite widespread belief, is stronger than the one with the United States, in terms of trade and foreign direct investment. It is not recognized fully either in China or India, but the figures actually demonstrate this quite clearly and Europe is doing quite well. If you look at our balance of trade overall, our figures are much healthier than those of the United States. So we need to*

*recognize that there are areas where Europe has a comparative advantage, and that is what makes the global trading system worth holding on to, not least.*

*There are other areas where we are not so successful. There has been a study made of the countries that are most likely to be home to European winners. I should say that you are above the median level in Austria, being ranked number 11. The areas in Europe that are most likely to be in great difficulty are the Southern European states, many of whom are holding on to industries of the past. The most obvious one is the area of textiles, which is simply not going to be able to compete. We have seen it in the recent debate on shoe imports into Europe, where the countries defeated in their support of a more restrictive import regime were almost uniformly from the southern part of Europe. I am talking particularly about Greece, Italy and Portugal; less of Spain, but up to a point as well. The key issue, therefore, is that we can all stand again by advancing a global system based on rules. For Europe to undermine those rules, in part by its position on the Doha development round, was not helpful. Now I actually blame the Americans far more than I blame the Europeans. Because whatever their failings, the Europeans actually could have gone a little bit further, if one believes Peter Mandelson, and could have brought the debate a little further along - if the Americans had been prepared to stand up to the plate on the issue of direct subsidies to agriculture, but that is another debate.*

*Simply put, in conclusion, I think that Europe needs international trade with Asia. I think Asia is good for the world economy. I think that falling barriers reduce transport costs and increase delivery speed and information. The complexity of today's supply chain being what it is, globalization is with us to stay, and it is something that we should embrace rather than reject.*



Nand Khemka, Pascal Lamy

## Nand Khemka

India is like a start-up company, like a start-up country. After a long period of time, it is only in the last 10 years that we have begun to have a sense of optimism, a sense of self-confidence that we can do it, the lead provided by information technology. This has been made possible by the reform program that started in 1991. In earlier days when we were shackled by all sorts of rules and regulations, we used to say that despite the government we shall move on. But now we have policies that are a lot more liberal, and that is why India is moving forward.

Yet I think the general reaction in Europe is bit over-exaggerated. It is too early to say that it will be the Asian-Pacific Century. India is moving forward, but not fast enough, and we still have a long way to go. India will certainly move on. We must do better and we are doing better, but we are doing better from a very small base. All the numbers that come out documenting 8 or 10-percent GDP growth

are from a very small base. And we are talking about the national average. In the Indian state of Gujarat, which is almost as large as France, we had GDP growth last year of 15 percent, with 12 percent over the last five years. We have other states in India that have almost negative growth, or only 2 to 3-percent growth. So the national average comes down to around 8 percent. We do know now how to move forward, but it's a question of governance and of entrepreneurship.

Another aspect that puts a very heavy burden on the economy is that the whole region has conflict issues that are well known. India, for example, is surrounded by political problems on all of its borders: We have a dispute between India and Pakistan that is well known. There are problems in Sri Lanka, problems in Nepal. There is Bangladesh and Myanmar, not to mention China.

I think it is still too early to say that it will be the Asian Century, because India and China and the rest of Asia still have a lot of catching up to

do. In the United Nations' Human Development Index, China is number 83 and India is 127, and of the top 10 countries, 7 are from Europe and none from Asia. It is a question of where to catch up to, and that is why I think this is a good debate. I believe working with this part of the world is to everyone's benefit, because if the West stretches out its hand for cooperation in the areas of technology, capital, equitable trade and investment, I am sure it will be a win-win situation for everyone – and this is what globalization is about.

We've seen some figures showing how trade has gone up, illustrating this win-win aspect. For example, three or four years ago in India, we were so frightened of China, we said we would be flooded by Chinese goods. Trade between India and China then was about \$400 million; now it is \$10 billion, and we do not talk about the threat from China. We are looking at trade of \$20 to \$25 billion in the next few years. This tells us that what we need is cooperation. What we need is to work together with an open mind. Of course, during the process there will be adjustment, there will be transitions, but that is the nature of the free market economy.

One very important condition I would like to mention, from my position as someone who works in both India and Europe, is that there has to be a change of mindset in Europe's business and investment community, and the new mindset has to be how to work together on a level playing field, on an equal basis. We need to change the mindset, and this has to start at the level of education, at the university level. There has to be a greater exchange of students, more have to come to our part of the world. This is already happening, but these measures have to be intensified.

## Orit Gadiesh

If India is a start-up country, China is both a start-up and a turn-around. It is a start-up for all the obvious reasons: the energy, the growth, etc. It is a turn-around because they really do rely on a 3,000-year-old culture, and until the 16th century they were the largest economy and the largest exporter. So it is a turn-around as well, and that is important to know if you want to understand China.

The other thing one needs to understand about China is: Asia in general and the Chinese in particular are making great efforts to understand Europe and the United States. Not only do they have students that go and study there, but a lot of them are now coming back to China. Contrary to earlier years, many now speak English, especially the younger generation. By the time the Olympics take place in Beijing, everybody under the age of 25 will speak it, while few of us will speak Chinese – and we are not likely to learn it. And language is not unimportant, because it is a way to start understanding the culture. In the business sector as well, the Chinese are learning how to brand in Europe and in the United States, which is very different from what is done in China. They are learning how to distribute in Europe and the US by buying companies. They are learning innovation, and by the way we should not underestimate innovation in China. We need to change the way we think about it, both in Europe and the US. And another thing the Chinese are learning when they buy companies, is how to manage talent in the West, which is also very different from the traditional approach in China.

We also need to make an effort to understand Asia, its cultures, its traditions, etc. And business wise: what they are trying to do and where

they are trying to do it. Currently, if you are a Chinese company you cannot spend more than \$10 million offshore to buy something, unless you get a special dispensation from the government. They've announced that they are going to change that. With the amount of money that is sitting in China right now, imagine the floodgates that could open in terms of buying companies in Europe and the US, and frankly

## Ketan Patel

What I have seen in India and China in the last three to four years is an enormous breaking of the shackles that held these two countries back. Both countries also had systems that shackled them. I mean here a system of politics that was also economic and affected them tremendously. Now there is a great optimism in the peoples of these



Orit Gadiesh,  
Wolfgang Schüssel, Ketan Patel

we are not prepared for that. So we also have to learn from China. It is not just about how to compete with China in China, or how to use low-cost resources. Low cost is just the beginning. It is about how to localize for the Chinese market, its consumers and customers, how to price and distribute in China, deal with central and state authorities, etc. But it is also how to compete with Chinese companies competing outside of China. I think that instead of being scared by it, we should be clever about it.

countries about how they will rise and participate in the global economy and how that will lead to a huge amount of prosperity and freedom. And we must not disappoint that optimism.

There is a big issue at hand, which is that the rules of economics are being rewritten, partly by these countries and this has had an international reaction. We, the international community, wanted these two countries to be global, free market economies; we wanted them to partici-

pate. But we seem to be going through a phase of protectionism and fear, both politically and economically. We are currently reversing our ideology, which has been an almost fundamental belief in interdependence, and we are doing this quite dramatically in some cases. I don't really believe it is inevitable that Europe and the US will be losers from their rise. But that seems to be the way the game is being played today, and Europe is not playing a strong enough part in it. Europe in particular is showing a lack of vision, leadership and voice to rewrite the rules of how it should play in a much more positive way. So the rules of how we engage both countries are being written today by those who are much more vocal and able to enforce them, because of confidence, military or economic might.

I am a big believer in interdependence, but by definition it has to be at least two-way. I think "we" in the West are saying we believe in free trade - but only if it means that we don't lose.

I think "we" are saying we believe in globalization - as long as we don't lose American or European jobs. "We" are saying we believe in cross-border mergers and acquisition - unless you try and buy an important company that we don't want you to buy. "We" are saying the way for helping Africa is through charity - but if they get really clever and start selling their commodities to China and build powerful links with the Chinese, we get really unhappy. I think we are saying comparative advantage is a fact of economic life and we all have to live by it - but as the dominos fall (we saw them fall in consumer electronics and high tech, and they are going to fall in other industries such as chemicals, small manufactured goods and even banking) we won't like that in Europe, they won't like it in America, and we will try and stop it, even though it is in fact already happening around the world. Militarily, oil is becoming a strategic good, so we won't really believe in free trade and free-floating prices for



Malte Boecker, Ketan Patel



oil either. Steel and commodities pose similar issues. What we did with Mittal in Europe is a good example. If we cannot let Mittal take over a company then I don't know who from India we want to let do it. We are sending a very clear message: We care about ourselves. The interdependence that we are blocking through these negative policies will hurt us a lot more, and if China and India with their current optimism find themselves effectively blocked in global markets, I think that will lead to a much less peaceful and prosperous world overall.

## Jürgen Strube

In German we sometimes say, "Es gibt ein 11. Gebot: Du sollst nicht extrapolieren." Translated that means, "There is an 11th Commandment: You should never project from the past into the present and the future." The Chinese government, for example, understands quite well the challenges that China has to face today: those impacting society, its infrastructure and the environment. The Chinese government is no longer trying to grow at any price. The Chinese government has established a program

called "Harmonious Society" or "Harmonious Development," which actually means something that we in Europe or the United States call sustainability. That in turn translates into additional capital expenditure needs, and once they are undertaken, they affect operating costs, which in turn impact competitiveness. In the future we will see Chinese companies operating under different conditions from those that we see today because of the cost of social demands and the cost of environmental protection. These will become part of the pricing level affecting both Chinese and Indian companies. When you travel to Beijing today, you are exposed to kinds of pollution that are totally intolerable. You have smog that was probably typical of London in the 1950s or the 1940s, and that is something that the Chinese government has decided to eliminate. All of this is being undertaken, and I believe quite strongly that Europe, which has already done quite a lot in the field of environmental protection, can actually afford to transfer the related technology and make it accessible. The Kyoto Protocol in fact contains various mechanisms allowing us to invest in China and in other countries, and thereby contribute to doing what we have promised in the protocol to do.



Surendra Munshi,  
Ewald Walgenbach

Another important issue that should be mentioned here is intellectual property rights. When we talk about a rules-based society, intellectual property rights are an important consideration. Very often, however, we as Europeans fail to be very convincing in this arena, because we don't do our homework at home. We fail to get unanimous agreement within the European Union in order to proceed with such an undertaking. Let us suppose we have a community agreement, then Europe can be even more convincing in creating a rules-based global society for intellectual property rights. Because I think that's what it's about. It's not about comparing the individual EU member states to China, India or Japan, but about the European Union as one entity.

## Surendra Munshi

As an Indian, when I think of an Asian Century I feel very happy and proud, proud that we are being taken note of after all. Our confidence is reinforced. But as a sociologist with some years of experience behind me, I ask myself what is the meaning of this Asian Century? Are we competing with the Americans, try-

ing to replace the American Century? If we are, I think we are making a mistake. I think the 21st century is not going to be Indian, not going to be European, not going to be Asian, but it is going to be global. If any century is going to be global, it's this one.

It is going to be a century where global cooperation, global goodwill and global possibilities for developing clever and clear modes of interdependence are all going to work. It is still not going to be a certain win-win situation. It is not certain that all boats will be raised. I can quite clearly see that it could be a lose-lose situation where boats don't rise but sink together. We should not look at the 21st century with the eyes of the 20th or 19th century. I think the future is going to be very different compared to the past that we have had.

The future of humanity is not going to be won in a situation that is based on a conflict for resources among national rivals. We know what this has given us. It has given us two world wars. It is not going to be won while going to war for resources in the name of freedom. Nor is it going to be won on the basis of development

Paul Kennedy, Delfin Colomé,  
Albert Speer



that assumes that Indians and Chinese will require the same energy level that Americans enjoy today. I don't think that represents a win-win situation for us at all. Imagine if Indians and Chinese start consuming in the manner in which Americans are consuming today, where would the world be? That is not going to be a win-win situation. So we need to rethink, not as Europeans, not as Asians, not as Americans, but globally. We need to rethink what the win-win possibilities for us are without projecting from the 20th century onto the 21st.

## Delfin Colomé

I think one issue should not be forgotten or neglected: that this very fascinating Asian world with spectacularly increasing GDP, with giant markets, with an eruption of consumerism, with its many impressive figures still hides a kind of dramatic dualism. Asia is the global region with the most poverty. According to the World Bank, about 70 percent of the world's poor are located in Asia. Some 1.8 billion people are surviving on less than \$2 a day. The predictions are of improvement in the

situation, but the prediction is that 61 percent of the world's poverty will still be found in Asia in 2015. In the list of those countries below the poverty line we find many Asians: Cambodia, Laos, Vietnam, Myanmar, the Philippines, Pakistan and even India. The Chinese case is very spectacular, with impressive social disparities between Shanghai and Beijing, on the one hand, and the inner regions of the country, on the other. The poverty of East Asia is impressive, especially urban poverty. Just go to Manila or to Jakarta and you will easily see the huge difference between rich and poor. There is no proper distribution of national wealth through a healthy tax system.

What's more, poverty brings undernourishment, malnutrition, illness and infant mortality. WHO has an index that documents PEM, or protein energy malnutrition. Every fourth child in the world suffers from it and more than 70 percent of PEM victims are in Asia. There are places with outright starvation; on the Indian subcontinent alone we can find 40 percent of the world's hungry. Starvation is clearly part of the situation in North Korea, and while I know that North Korea is in a class to itself, it is

still Asia. All the causes and related problems have been documented, including corruption, cronyism, the lack of democracy, human rights violations and environmental issues. I don't want to be perceived as a pessimist. I love Asia and am convinced of its bright future, a future I wish it as well. But I needed to raise some caveats, because Asian development can seem to be very fascinating, even though many bottlenecks still have to be overcome.

## Zhaorong Mei

I think it is too early to talk about an Asian Century today, because we don't know what will come in the future. Today everywhere you go in the world, people talk about rising China. We in China are not quite comfortable when the world uses the term "the rise of China." We are more inclined to the term "peaceful development." In Chinese terminology, "rise" implies a start, whereas China's development has been a long and gradual process. Different conclusions may be drawn from different perspectives, and you have to put yourself into the shoes of the Chinese, then you can really understand how the Chinese look upon China's development.

By all estimates, China will not even reach the intermediate level of developed countries until 2050. Let me quote Premier Wen Jiabao when he said, "If we divide China's achievement by 1.3 billion, that achievement becomes insignificant. If we multiply China's difficulties by 1.3 billion, they just loom much larger." China's per-capita GDP has just exceeded \$1,000. The overall level of science and technology remains very low. Economic levels vary enormously from area to area. If Western standards are applicable, the number of those living in poverty could rise to some 100 million. China is still a developing country and it

should not be judged merely by its overall GDP or its growth rates. For the Chinese leadership, the top priority is still to feed and house 1.3 billion people and provide them with medical care, education and jobs. While working for rapid and sound economic development, social equity also needs to be addressed. So China's economic power should not be overestimated.

Asia as a whole has made important social and economic progress. East Asia has led the world's economic growth and become an important driving force in the Asian economy, as well as the global economy. Asia's global influence has increased dramatically, and so has its confidence. One very important conclusion to be drawn from East Asia's development is the need to emphasize and strengthen regional cooperation within Asia, something that is already happening fairly fast. Currently, we are witnessing the creation of different regional cooperation mechanisms throughout most of Asia. Of course regional cooperation, especially economic cooperation, is still in its infancy in Asia as compared to the European Union and NAFTA. And it will take a long time before the process is complete. The main obstacles are Asia's well-known diversity, the fact that no core countries are taking the lead (be it out of economic or political considerations) and, finally, the unsatisfactory security environment. One cannot expect the establishment of an Asian identity given the imbalanced levels of economic development, diverse national conditions and friction among certain countries. Whether or when Asia will reach the European Union's level of integration remains unknown.

For Europe, Asia's transformation and China's development in particular bring both enormous opportunities and challenges. Regarding the opportunities, Asia's and China's development

Zhaorong Mei,  
Heike Maria Kunstmann



present enormous long-term business possibilities for Europe. On the political front, Asia's and China's new positions have promoted a multipolar world order, featuring the coexistence of diverse, mutually constraining forces, and have put an end to the unipolar pattern in which the world is dominated by one single power. I believe that this accords with both Europe's interests and those of Asia, including China, since both sides have a common interest in setting up a fair and reasonable world order and in promoting the democratization of international relations.

On the other hand, an increasingly competitive Asian economy certainly poses a challenge for European countries. This is a natural consequence of market competition and rapid globalization, which the EU actively advocates and promotes. It seems that Europeans have long regarded China and Asia as a mere market and are not well prepared for the possibility of competition emanating from Asia. Europe has been sleeping, and once it awakes to the fact that globalization is a double-edged sword, some will inevitably cry that job opportunities are being taken away and call for protectionist measures, or even label China a threat.

How should Europe cope with the new challenges? I tend to believe that Europe should first abandon its Europe-centric mentality and calmly face the challenges stemming from developing countries. Europe should look inside to find the roots of the problems and foster a new outlook on international relations. That includes carrying out the necessary reforms to address deeply rooted structural issues, such as those related to the welfare state, in order to cut product costs and enhance competitiveness. It also includes focusing on new technologies and on improving quality. Europe should adopt a policy of cooperation and strive for win-win situations through negotiation; imposition of trade barriers can only result in lose-lose. Some people lament the weakening of Europe's influence on the global stage due to stagnation of the internal integration process. China would like to see a unified and a strong Europe that is capable of playing a bigger role internationally. As we in China see it, if the EU is to increase its international influence, it must continue to promote political integration while playing an active and independent role in the international arena.



Ewald Walgenbach, Victor Chu

## Victor Chu

I think Asia's rise – if our focus is on Asia minus Japan, Australia and New Zealand – is inevitable, particularly for China and India. But Asia is not to be feared. Many commentators who look at China, for example, look primarily at one side of the equation, namely the impressive statistics, like China's foreign currency reserves, which this year will exceed \$1 trillion. China's domestic savings have already reached \$1.9 trillion and are growing at 30 percent in compound terms, thanks to the Chinese tradition of high savings rates. But China is still very much behind. It still has a long way to go, and there are quite a number of obstacles in its way.

First, the very impressive GDP growth rate of 9.4 percent for China over the last 20 years has to be seen in a wider and more proper context, that is nationwide GDP growth. We all know that in China we have the first, second and third world combined in one country. The coastal regions are growing much faster than the inner region, and the western and the central rural regions mostly have very low or negative growth, which really raises the challenge of disparity. Second, out of 1.3 billion people, 850 million still live in

a rural area. China's enormous challenge is sustaining its growth while attending to factors such as pensions, enterprise reform, financial sector reform, education, resource security and ethnic and regional challenges. These are massive challenges, not to mention infrastructure and other day-to-day issues like SARS or other health risks. Third, China is involved in every single flashpoint that could potentially destabilize Asia, including the Korean conflict and its own conflicts with Taiwan and Japan. As with all of Asia, it generally suffers from the difficulties between India and Pakistan and from the risk of terrorism, particularly in Indonesia and Thailand. We need to take these risks into account. They are very real and would affect China's and India's development very quickly if they were to blow up.

What I think the West, and Europe in particular, needs to look at is not really economic growth and the fact that the World Tourism Organization estimates that in the next five years there will be more than 100 million Chinese landing on European shores. What we need to look at is China and India's size and speed, the speed of change resulting from the Internet, from the availability of higher education, from the availability of capital markets. We

Heike Maria Kunstmann,  
Veit Sorger



should also consider the attitude of young, aspiring Chinese and Indians, those eager to learn and willing to put in longer hours than others around the world in order to succeed. And when looking at that, I think the way to engage China is to make sure that Europeans are engaged in all sectors of its development, the most basic of which is education. The China Europe International Business School is already making a major contribution at a very high level, but also I think we should encourage the creation of more scholarships allowing Chinese students to come to Europe, more short-, medium- and long-term courses, more language programs and more exchange in general.

I think the buzzwords are interdependence and win-win. But how do we put these things into play? The Chinese are still learning the rules of the game internationally. What I think we will see is that China will become more sophisticated in its business methodologies, will have a greater profile in international affairs and will learn more and more from European and international actors about international governance and other related issues. Europe should articulate with clarity that China has to be both a partner and a competitor. Europe should proceed with China within a com-

petitive partnership, because, in the end, Asia's rise, particularly the growth of India and China, is in fact a stabilizing force – for China, and therefore for the entire global system.

### Veit Sorger

I think in this whole global procedure there is a good chance for a win-win situation for both parties, but not for everybody. What does that mean on a national level and on the European level? On the national level it means that we have to work very hard to strengthen those parts of our economies that can survive. So we have to further liberalize, increase flexibility and support innovation at universities and in education in general.

Let me give one example from our country. We have now founded one university of excellence; it was difficult, but we succeeded. I've learnt that in the same timeframe in China, 16 institutes were established. That gives you an idea of what is happening on both sides. In Europe we have to do our homework and realize: There is no way out of the Lisbon Strategy. We have to understand a nation cannot really survive in the long term on its own,

without a strong Europe in the background. In the future, none of the EU members will be able to give its citizens the security necessary for a prosperous life if it does not have a strong European Union behind it. Only if we do our homework, will we be able to keep up with the impressive progress in China and achieve a real win-win situation with the attendant opportunities.

### Heike Maria Kunstmann

For a long time, European companies took comfort in Europe's inherent competitive advantages we thought to be a given - our capacity for innovation, our definition of a liberalized market and our attitudes toward globalization. All of those, however, are challenged in this Asian Century. If we take a look at innovation, it becomes obvious that we need to redefine our core competences. Our traditional idea of innovation was being a pioneer, creating some inventive system and then

taking the cash flow back to our home country. This definition is no longer valid, and sticking to it will we will fail. Today we have to compete with India's considerable service industry. We have to shift our conventional innovative capability and combine it with service ideas, new distribution structures and more, because that's what will give us a better chance for surviving global competition in the long run.

Second, we have to realize that we do actually have liberalized markets, no longer restricted to goods and services, but for labor, too. Currently we have roughly 30,000 graduates leaving German universities with a degree in engineering every year. More than 200,000 do the same in China. Our 30,000 engineers work 1,500 hours a year; a Chinese engineer works 2,100 to 2,300 hours a year. In short: They have brains, and they are adept at innovation. This situation completely challenges our working conditions. The major political issue at the moment is to find the right



Heike Maria Kunstmann, Liz Mohn



balance between our traditions, our ideas of social justice, and our efforts to react to the challenges. It seems clear that we have to liberalize our labor market, not only concerning mobility but also regarding wages and working times.

And finally, my country needs a new spirit of optimism when it comes to globalization. In Germany, globalization is strongly connected to fear. I think the FIFA World Cup, a sports event, was the first time that Germans became open to globalization. Given that, I am also sure that this positive development will fade quickly if we don't manage to create an overall approach throughout society. That means including the media, policymakers and the business community to drive this positive attitude towards globalization in our country.

### Wolfgang Aulitzky

I have the feeling that when we talk about globalization we don't look at it as a win-win situation. When we are talking about it as a competitive situation, we accept it only when we can win. When we outsource the production of shoes to China, we don't do it in order to create jobs

in China - we want to increase profits. I think globalization can only work when it becomes a truly fair political tool, and by fair I mean it has to include a fair distribution of advantages and disadvantages all over the globe. It would include both profits and costs. This has to do with a word which has not been used today: sharing. Sharing resources, and not only manpower - sharing knowledge, for example. I think we currently have a very dangerous and selfish idea of globalization, and if we continue like this, it could become a very dangerous situation for all of us.

### Dieter Vogel

I don't see the current situation so much as a threat for Europe. The impressive growth we face in parts of Asia will lead to the same weaknesses that mature societies have: bureaucracy, reduced innovation, less entrepreneurial spirit and all that. Therefore my message is: We as entrepreneurs have to concentrate on what our prime task is. I also wouldn't like to discount profit making as a negative element, because it is a main driver when it comes to creating prosperity, and I think we would all agree that poverty remains the major



reason for most of the evils that we see worldwide right now. This is true not only in a direct sense, but also indirectly in terrorist actions.

So our contribution as entrepreneurs has to be to increase our speed in terms of all the cooperative ventures that are possible among our countries. Let's see how we can maneuver through the given circumstances, and not complain about the shortcomings. Let's use all the opportunities that are there, rather than focusing on the challenges and complaining about deficient legal security and those kind of things. Let's go forward with the investments, shareholdings, production, let's even start exporting from these countries into ours, and thus make sure that the economic circumstances give rise to all that should and will follow. To put it simply, people who have work are better off and can then shift their focus, forcing their own government to provide human rights and circumstances that we consider worth living.

### Peter D. Sutherland

The positive elements of the European situation are the result of the European integration

process, and the destruction, damage or delay of that process will destroy Europe's capacity to relate to globalization - and that is the key factor. If we didn't have the program for the single market in 1992 and the creation of the customs union before that, today Europe would be a tourist resort for visiting Orientals and Americans with little else to say for it. Walter Hallstein said we do not have divisions, divisions in the sense of army divisions; all we have is the law. So the future for us is in that area: the European integration process based on a legal system that people comply with. In reality, the European legal system and the creation of a single integrated market is the answer, not the problem.

Economically, Europe is not doing all that badly. We have a very strong balance of trade, we have a significant level of investment and we have a much bigger partnership with the United States than the US has with Asia. Where we are doing badly is in our own domestic reform, which is denying us the capacity to achieve. This applies primarily to Germany, France and Italy, and if they don't get their act together, then we are in real trouble. Their problem is lack of leadership and if that leadership isn't demonstrated, then

Malte Boecker, Albert Speer



Europe is not going to do well. Remarkably, however, around the periphery of Europe a whole range of countries are showing signs of dynamism in economic growth, even though their core markets are growing at a lethargic pace. Take the Scandinavian countries, many of which have a very high taxation level that often draws complaints. They are actually the

most efficient. The Finns are doing extremely well in many economic categories and so are the Swedes. So is Ireland and Spain. So I say to Central Europe: Get your act together. To the rest of Europe: Comply with the obligation to move European integration forward, and you may have achieved half the answer.



Peter D. Sutherland, Pascal Lamy



# Session 2 – Politics

## Introductory remarks

by Pascal Lamy

*If Peter Sutherland is not qualified to introduce the topic of Asia as seen from the economic point of view, I am even less qualified to introduce it from the political angle. But he both tried and succeeded this morning, so I should also try. My starting point will be that compared to the economic angle we discussed earlier, the political approach to Asia is more complex.*

*I think in economic terms, there is not much doubt that this century will be an Asian century. If you measure an economy in terms of GDP, GDP growth, wealth creation or wealth accumulation, Asia is more a region of the future than of the recent past. In political terms, the future of Asia looks more uncertain. To put it simply and for the sake of stimulating discussion and provoking a few reactions, I will argue simply that Asian politics can potentially follow two basic patterns in the future. The first is that of power politics – the sort we experienced in the Western world in the 19th and 20th centuries – with its well-known consequences. The second pattern is a different one. It is Asia as a part of a multilateral world order where, of course, nation-states remain central to the organization of politics within and among societies, but with limitations to national sovereignty and with a type of power politics that derives from the progressive unfolding of a common root.*

*I believe that the ingredients for the first pattern exist in Asia, but that ingredients for the second also exist, and that the possible differences between these two scenarios lie in various factors, various developments, which I will try briefly to describe.*

*Starting with pattern number one, I believe the ingredients exist in Asia for a scenario of conflict-based power politics complete with negative security consequences and developments. As compared to other parts of the world, Asia can be seen as a region full of tensions and rivalries and having the potential for conflicts and violence, something that has already been alluded to this morning, notably by Paul Kennedy, who will respond to my introduction. The zones of tension are numerous, so let me mention Taiwan, North Korea and Kashmir, just to take three examples which are just as explosive as the Middle East or Iran. Less visible than these well-known examples are a number of territorial tensions or revindications.*

*Take the islands in the China Sea, for instance, where revindications remain on a number of sides, not to mention the dispute between Japan and Russia over the “Northern Territories” or “Kuril Islands” – which name you choose depends on whether you speak Japanese or Russian – plus all the intra-national instabilities that we currently know about: Sri Lanka; parts of Indonesia where secessionist tendencies remain; or even Tibet, even if it has stabilized recently. So such tensions are a legacy of unsettled rivalries and differences in the interpretation of history, or, more precisely, they are a legacy of World War II, as evident in Chinese-Japanese frictions, which still play a big role in domestic Japanese or Chinese politics. This is also true to a certain extent of Japanese-Korean relations. Less well known but quite obvious when you know a bit about the region are the remaining traces of Japan’s World War II presence in places like*

Singapore or Malaysia. So these tensions, these legacies, exist. Obviously a sort of catharsis about historical events that took place in other parts of the world after World War II has not occurred there, despite the substantial amount of time that has passed.

More recent elements might potentially increase this tension. Take military development in China or India. The rate of growth year-on-year of the military budgets in China and India is three or four times the world average. Both China and India, nuclear powers that dominate the region, have even more recently entered into competition for energy and raw materials, both within and outside Asia. We all know that this competition is first about securing sources – where energy, commodities or raw materials are produced – but it also usually has a more important security aspect relating to energy and commodity transportation routes, whether these are land routes like pipelines, or sea routes – and Asia is full of maritime straits that are very sensitive in terms of security. So these types of tensions and possible negative developments could synergize or catalyze, producing obvious potential for a domino effect that could spill over into more global developments or even impact the economic developments that conventional wisdom currently takes for granted. It may be that all this conventional wisdom about the economic growth and new weight of Asia should be modified given the risks linked to these possible negative security developments.

Now to my mind, whether such developments will materialize or not depends on a number of

factors; at the same time, possibilities for more harmonious developments also exist, depending on a number of factors. I will just mention a few: globalization, regional integration, corruption, democratization, Islamization, US involvement and, finally, since we also have to look at this from the European angle, EU involvement.

To start with, globalization – both its pace, the growing interdependence it brings and the perception of whether it is positive or negative – will influence geopolitical and security developments in the Asian region. Growing interdependence is obviously a stabilization factor, not least because it increases the cost of going it alone. And if you look at Asia as a single production center of both goods and services, it is obvious that Asia is the spot on the planet where globalization has worked and has lifted hundreds of millions of people out of poverty. Now this is one part of globalization. There is another part, which is also extremely important, and it was also alluded to this morning: the perception of globalization, attitudes toward globalization. It is sometimes seen as a threat to traditional, cherished values, especially at a time where many Asians are showing a desire to reconnect with their past, after this connection was ruptured by Western dominance. I think this is something that might work both ways, depending on whether globalization is seen as synergetic with Asian values or not. Therefore, this is one development that may make a difference.

The second factor I would like to mention is of course regional cooperation and regional integration within Asia. Some efforts along

these lines are taking place, but with a variety of characteristics and frameworks both in substance and geography, which makes them quite different from what is happening on other continents, whether it be Europe, Latin America or Africa. In terms of substance, for instance, if you compare Asian integration to European integration, it is obviously more commercial than financial and obviously more financial than political. And in both Asian cultures and Asians' relationships to institutions, there is a very different attitude from the one that exists in Europe. Asians are reluctant to engage in institution building, which of course contradicts the fact that institution building is seen as key for integration efforts in areas like Europe, Latin America and Africa. The Asian pattern of regional integration is not only different in terms of its scope and depth, it is also very different in its geography. The only obvious center of regional integration today remains ASEAN. The 10 ASEAN countries are very different in terms of their levels of development, but they share a road map for regional integration that has been worked out over time. The project's engine is not very clear, although it probably could be pinpointed to Singapore, with its sort of post-Lee Kuan Yew ideology for regional integration, which in my view has superseded the Mahatir doctrine that existed 10 years ago.

So that is one of the region's integration-related constellations. But there are also others. You have the ASEAN + 3 with Japan, China and Korea, and you have ideas about an even wider Asian community that would extend to India, Pakistan and the whole Indian region. And you even have - this was mentioned this morning by Ambassador Mei - the Shanghai Forum, which is all of Asia plus Russia as an Asian power, a player that also gets mentioned here and there. So there are numerous initiatives

that are blossoming in many directions, and possibly some of these will lead to something stable if they translate into concrete political developments.

The third factor I would mention is corruption, which was already mentioned this morning on the economic side by Ambassador Colomé, but which in my view has an obvious political implication. The amount of corruption as a share of the overall economy in Asia remains very high, although numbers are by definition difficult to supply since corruption is an informal tax burden that, we all know, greatly distorts the allocation of production factors. At the same time, it also has a number of political consequences, as you can see in countries like Thailand, where the introduction of a parliamentary system remains difficult as long as every political attitude has its price.

Democratization is also one of the factors that can make a difference between the sort of upside and downside that I have mentioned. Of course, democratization - notably in China, but also in other countries in the region, such as Singapore, Vietnam and Laos - will obviously fundamentally influence political development. Let us remember that we have not seen a war between democracies. So democratization is in many ways the best policy against the kind of tensions that could degenerate into an armed conflict.

In terms of Islamization, Asia is host to the largest Muslim population on the planet. Until now, this population has not espoused fundamentalism, but the threat exists, with Indonesia and Pakistan being obvious hotspots. Depending on the type of Islam and its impact on politics and daily life, things could begin to go awry. Obviously, there is a big challenge here.

Pascal Lamy,  
Wolfgang Schäussel



*It may be that the first thing Asians have in common with other continents is Islam. What Islam means for the future then becomes terribly important.*

*Let me mention two final elements that may also make a difference, namely US involvement and Europe's involvement in the region.*

*US involvement in the region, as we all know, is a very complex issue given the different views within the United States on a number of issues, for instance China, or, in the past, India, as well as Japan and Korea. If you look at its relationship with the United States and look at US international politics for the last 30 years, China has been seen both as a threat – a military threat and a threat in terms of economic development – but also as a partner; whether in currency markets, on the UN Security Council or in terms of regional stabilization. So there is an obvious ambivalence there, and in the present situation these two attitudes coexist in the US system, depending on who you are talking to. On this question of US involvement, I think two key developments have recently taken place. The first is a number of Asian initiatives that have been structured in a way to prevent or avoid US*

*participation, contrary to the pattern that we have seen over the past 50 years. It is pretty obvious in financial developments: the Chiang Mai initiative, the project for an Asian currency unit, was worked out and seen as explicitly excluding US involvement. The second more recent development is the strength of the relationship between the United States and Australia, Australia having become in many ways a more prominent US foothold in the region than Japan, especially since 9/11 and the Iraq war. And obviously Australia is presenting and developing itself as an Asian country, which may be a bit less obvious when seen from China or India or Indonesia.*

*Finally, let me mention EU involvement. It is not pure coincidence that the European Union comes last in this list of factors. It comes last because Asians today do not care a lot about Europe. They see Europe as something of the past rather than of the future, a place where life is of high quality, people are aging and the economies are not dynamic. So if you look at it from Asian eyes, it is a civilized and interestingly pessimistic place. Of course, Asians, who are always extremely polite, will not put it this way,*

but that is what they believe - although in my experience they do sometimes put it this way. Now does this mean Europe will not influence Asian development? I don't think so. There is an obvious possibility that this might happen, but only under certain conditions. Let me just mention two of these conditions as I see them.

The first relates to Europe's ability for developing a long-term strategy of partnership with Asia, one that would encompass economic, technological, cultural and, of course, political developments. As mentioned this morning by Victor Chu, the United States has the option of considering Asia a friend or foe. I don't think Europe has this option. Europe has only one option, and that is to build a partnership. And the second condition is of course Europe's potential for remaining an "environment maker" in terms of international developments, in terms of its view of globalization and globalization's impact and in terms of its know-how in running a multilateral system. This last aspect is something that could result in Europe pushing for Asian countries to be given a more equitable presence in multilateral institutions such as the IMF, whose representation is unbalanced, or even the UN Security Council, where China's sole Asian presence among the permanent members is a problem for other Asian countries, as it is for other parts of the world. The potential for Europe to push in this direction is there, I believe, but it is not a given or at least not a given anymore, as Ketan Patel mentioned this morning, since we are in a period of slower European integration and a period of resurgence of economic nationalism and protectionism in many parts of the world. Surprisingly, however, this is not yet the case in Asia; it's appeared more in places like the United States or Europe. But I think it is something that could also develop on the back of the geopolitical fragilities that I have mentioned.

In conclusion, let me say that both the chancellor and the Bertelsmann Stiftung are right in trying to balance the sort of "economic only" approach that many people have to Asia today. They are right to supplement it with other perspectives and, notably, the political and the cultural aspects that we will come to tomorrow, since they may be equally if not even more important in the future. Let me add a second part to this conclusion, a sort of warning. There is a specific difficulty in addressing these political challenges in Asian culture, where conflicts, tensions and opposition do not make themselves apparent in the same "rational" way that they do in Western culture. The Asians' capacity to remain on an implicit level in state-to-state, culture-to-culture and individual-to-individual relationships is enormous as compared to the way Westerners do it. Added to this, it is important to look at the imbalance between the efforts that Asians have made in understanding the Western world, mostly as a consequence of colonization and its legacy, efforts that are in total disproportion to the efforts that Westerners and, notably, Europeans have made to understand the Asian system. So you will find seated around this table Asians who can deal with Asian cultures, with Asian people, with their religions and languages, but who have simultaneously learnt, notably through their education, to connect with Western systems. People who can operate in the other direction are much rarer. And if they can be found, they are found, for obvious reasons, more often in the United States than Europe, since immigration and the transfer of know-how, brainpower, culture, business and art has flowed much more readily from Asia to the United States than to Europe. That is why the attempt taking place around this table of trying to move us all more towards an understanding of Asia is a very welcome one, regardless of any other developments that might ensue.



Wolfgang Schüssel, Dieter H. Vogel, Liz Mohn, Ewald Walgenbach, Victor Chu, Wolfgang Aulitzky, Zharong Mei

## Paul Kennedy

There is a disconnect between the world of global business, on the one hand, and the world of geopolitics, strategic global trends, population pressures, and arms planning and build-up, on the other. If you see things from a geopolitical point of view rather than from a commercial and financial one, you will remember, first of all, that there has never been a century in history in which big changes in world economics did not lead to big changes in military and geopolitical power balances – and strategic thinkers do not expect it to be any different in the 21st century. So when they see a slogan like the rise of Asia, alarm bells go off in their minds, because that simply means that if somebody is rising, somebody else is falling, since their world is a world not of win-win but of power sharing and influence. And if one region's share of power and influence is rising, ipso facto other parts must be falling.

It seems to me that the emergence of very large economies, of China and India and one or two others, may well be registered more easily in international bodies like the WTO, the World Bank and the IMF, because of the way in

which their constitutions make allowance for the five or eight or ten largest economies to be weighted when included. It is going to be far more difficult, it is quite clear, to get alterations in the permanent membership of the Security Council. It is outrageous, though, that India, with a population 10 times that of France and Britain combined, does not have a permanent veto seat. The politics of getting that changed is so much more difficult than changing the balance of IMF voting weights.

I would like to have a look at the map of Asia from the perspective of global geopolitics. It was your distinguished statesman Metternich who once said "East of Vienna Asia begins." So it is good to meet here in Austria and talk about Europe and Asia. But geopolitically, there are 1 billion Muslims in the Middle East, in between Asia and Europe, with 1.5 billion Africans to the south. And let me share with you how Bismarck would look at the map of this world of interdependence, cosmopolitanism and globalization, this world that is moving from approximately 6.5 billion people to approximately 9 billion people. What would Bismarck say? He'd say: There are 400 million very comfortable people in North America and 700 million

Paul Kennedy,  
Wolfgang Schäuble



plus uncomfortable people in Latin America, with more on the way. There are, as we have heard, the declining or stagnant 400 million in Europe, with 3 billion, soon to be 4 billion in Asia. There are 1 billion Muslims in between the two, and 1.5 billion Africans going down the tube. That is my Bismarckian geopolitical map of the world.

## Zhaorong Mei

I would like to raise some objections to what is frequently said about China's and Asia's roles in the globalized world. First, I think we shouldn't paint the political situation too pessimistically. There are conflicts, border questions and frictions in Asia, of course, but if you look at the developments of the last five or ten years, you see that relations among the Asian countries are improving.

Second, when people talk about democracy and democratization, the Chinese system is frequently characterized as a totalitarian system. I would disagree on that point, as well as on one other: It was said that the dialogue

between China and Europe is only symbolic. I don't agree; it is of substantial importance to both sides. Actually, it is major progress that the European Union has shifted from putting pressure on China to entering into dialogue with it. It has helped to reduce disagreement and to improve mutual understanding, and I think both sides have profited from that. You should not go back to pressuring China. It won't work. For us, democracy is one of mankind's major achievements in the area of political civilization and, of course, it is also demanded by people all around the world. However, a democratic system should be born from inside a country, not imposed from outside; it is necessary to take into account different national conditions. Helmut Schmidt in his book *The Powers of the Future* says very rightly:

*I believe that the political stability guaranteed by its current system is appropriate, is even beneficial for the Chinese people and for China's neighbors. China's authoritarian political culture will probably evolve as the market economy develops and as a result of the country's opening to the world. It witnessed tremendous changes under*



*Deng Xiaoping's leadership. Today, the Chinese people enjoy greater freedom at home than during any period in the nation's history. We should give China time to develop further. Any serious political attempt to accelerate the process by applying external political pressure will not generate positive results. On the contrary, it could incur disastrous consequences.*

I think this is an appropriate attitude for a Western statesman to have towards non-Western systems. As has been seen, it simply does not work to impose external ideas on other countries.

Third, I don't agree with what has been said about the struggle for resources. True, China's demand for energy has increased remarkably as a result of economic growth. China, however, is both a big energy consumer and producer. Since the 1990s, China has relied on its domestic supply for over 90 percent of its energy consumption. And oil only accounts for a small percentage of China's total energy consumption; it's supplemented by coal, natural gas and other energy resources. So to say that China's heavy consumption of oil poses a

threat to the world's energy future is unfair. Oil prices have been driven by a number of factors in the last two years, including political instability in oil-producing countries, inadequate oil-refining capacities, natural disasters, speculative moves on international money markets and others. Therefore, it is now the common responsibility of all countries to strengthen mechanisms for international cooperation, ensure the stability of the global market and keep the price of oil at a reasonable level.

I also disagree with those who critically claim that all Asian nations are fostering a strong national identity, the consequences of which are evidenced in political tensions in the region. I would like to point out that Asian countries that have long been subject to humiliation and bullying by Western powers should not be blamed for fostering a national consciousness or a national identity after getting rid of colonial rule.

On the other hand, I agree with the idea that what is needed is education, cooperation and the creation of interculturally compe-



Stefan Brahms,  
Ewald Walgenbach,  
Richard Wagner

tent think tanks and specialists who closely follow developments in Asia and introduce them realistically and without prejudice into the public debate. I wish our European friends much success in this respect, since it will be very beneficial for cooperation between Asia and Europe and our overall mutual relationship.

### Ewald Walgenbach

I have my doubts whether this will really develop as a win-win situation over time. Two points seem to be decisive:

First, I am very optimistic about the development of India and China. In China, a middle class of hundreds of millions is being created. That will have two effects. It will help to stabilize the whole system politically, so all these fears about political instability will, I think, at least diminish. And it will generate a huge domestic market in China, one that will grow enormously over the next 10 to 20 years and will offer Europe considerable business opportunities - and challenges.

The second decisive issue is the attitude of the Chinese people. Meeting and talking to employees and younger managers, you find the best-educated, hardest-working people in China. And all of the young Chinese people speak English. There is an incredible hunger for education; people want to learn, want to develop themselves. This is very much in contrast to both the United States and Europe, where that attitude has been lost - this hunger and ambition as well as the belief in the possibilities for building a career and creating one's fortune.

To my mind, these two points represent a considerable challenge - not only for us Europeans but for Americans as well. And we have yet to understand how big this challenge truly is. We therefore have to strengthen exchange and cooperation with China on all levels in order to get a better understanding for what is going on there. In Germany many people still talk about what is going on in China as if it had nothing to do with them. Many Chinese people I have spoken with believe that Europe has to wake up. To sum up, there are opportunities for both sides - but we have to wake up.



## Orit Gadiesh

We talked about Bismarck and how he would see today's world. I think he would congratulate China for what it has achieved already and for what it is doing all over the world, economically and politically. In my opinion we should have stopped calling the United States the only world power years ago and started talking about both the United States and China as world powers. That way we would have paid respect to China, but at the same time we would have put responsibility on China too. And as a world citizen, I believe that one of the things that China has not done is taken enough responsibility for its neighborhood. If it was truly considered one of the world powers, it would have to take more responsibility.

## Ketan Patel

I wonder whether our method of looking at the problem is outdated. Prior to the 21st century we looked at strategy as if it was a chess game: It had rules and it had roles; there were specific moves; there was a board we understood; things were sequential. I wonder if for

the 21st century we have moved into a game more like PlayStation 3: There is no board as such; the board can actually hit back; the moves are not sequential; everything you do might cause a reaction; things are much more networked and move much faster. Yet our strategies were developed by people who grew up in a completely different era. Our benchmarks are Clausewitz, Sun Tzu and Schwarzkopf, and we play according to their strategies. But the timeline has changed dramatically, and the last five or six years have taught us that disrupted events are shaping the world's future, and our ability to predict these disrupted events has declined. We are not thinking in the right way. The era of political economics is here, and it's playing out in very different ways. The Chinese have been extremely effective at seeing that a different game needs to be played and not accepting the rules by which Europeans and Americans have played the game. The Chinese, in contrast to the Indians, have seen this board in a very different manner. The Europeans don't see the game the way the Chinese and Indians do and are not playing as well as the Americans. As a result they are not showing the will to act, while the Americans are show-

ing they will act, although not necessarily in ways that people find comfortable.

My exposure to Americans in politics and business in my previous role suggested to me that their respect for Europe has declined. And that is one of the most important factors for Europe to consider in an India-China strategy, since both countries respect the US. If the United States does not respect Europe and it starts to believe that its actions must be taken independently of Europe - whether in the Middle East or any other part of the world - then the Asians will also not respect the Europeans in deciding their policies. If we do the scorecard, we find that the United States has the largest and most powerful military, economy and capital markets, as well as the most partnerships in running anything that matters, the most Nobel Prize winners and so on. The US does in fact have enormous influence, and sometimes Europeans have failed to demonstrate that this is to be respected. From

the Indian and Chinese perspective, whether or not it acts in India's and China's interest, the United States is to be respected for having that powerful scorecard.

Most of our strategic thinking is shaped by militarists, so the notion we have of strategy is based on competition - I win, you lose. There are other voices, but they are generally considered to be soft voices, soft power, relative to the powerful military voices. What we need to do, I believe, is to engender the idea of what is the common opportunity, what is the winning hand for humanity. We have not engendered such language yet, either in politics or in business. Business just took its language from politics and was not as sophisticated in how it executed it; it merely invented many simplistic models. But political language came from competition; it came from greed, fear, anger and conflict. To change that will take a major effort - to change the level of human understanding and consciousness.



Wolfgang Schüssel,  
Ketan Patel, Surendra Munshi



## Jürgen Strube

I think that the future of Asia looks more uncertain politically than economically. Politically the question of the rise of Asia or the future of Europe is tied directly to the question of how we handle the situation in the Middle East. This is not something remote, but something that has immediate relevance today. We are paying \$70 per barrel of oil. We are relying on coal for the future. But we all understand, too, that in terms of sustainability, coal is a very dangerous energy source because its carbon dioxide emissions, its sulfur dioxide emissions are substantial. So we should also consider Russia as the prime source of gas, probably also a source for Asia if pipelines are built. My point is that we have to find a common European opinion on these strategic issues as well as on military issues. Currently we are collecting a so-called peace dividend which means less resources for the military – yet less resources translates into less influence, less power and less standing within the global system. If Europe does not want to fall behind, it will have to address these issues.

## Delfin Colomé

I think we should keep some important figures in mind. Four of the 10 largest defense budgets in the world are in Asia: China, Japan, India and Korea. The growth of China's defense budget has been particularly dramatic. The defense budget in Japan, a country that according to its constitution has only a defensive military, is higher than the budget in France and the United Kingdom. And in India and Korea, the budgets are smaller but still important, about \$15 billion.

Another factor to consider is that Asia has become the biggest market for weapons imports. From 1997 to 2000 it was the Middle East, but from 2001 to 2004 the region buying the most weapons was Asia, and its major importers were India, China and Korea. In Asia today we have four of the world's eight nuclear countries: China, India (with the blessing of United States), Pakistan and North Korea. On a positive note, NATO has recently invited some Asian countries to become global partners. I think being proactive and engaging these countries is a good step. And we Europeans



Victor Chu, Yue-Sai Kan

should also be proactive in showing our Asian friends our positive experience with regional integration. Of course there are many obstacles to reconciliation in Asia, but we have to improve relations between Asia's countries. Inter-Asian trade is about 48 percent of world trade. Europeans should also try to explain the concept of cost. We have the cost of a "non-Europe"; our Asian friends should understand the cost of a "non-Asia" - and it's very expensive. There is no alternative to profound regional integration in Asia.

## Victor Chu

When we talk about soft power, I think we really mean fundamental power. Hard power in today's war against terrorism has proven very difficult to use effectively. When we talk about soft power, we are really talking about the moral legitimacy or authority to lead. And I think Europe has a tremendous opportunity now to take the high ground and gain in terms of the scorecard Ketan Patel talked about. Now is the time to add up to the asset side. This means Europe has a tremendous opportunity

to play a significant role in helping Asia in general and China in particular in their political development, thereby securing a more engaged role, which it otherwise might not get.

It can play a role in Asian economic integration, for example. If we think of ASEAN plus three, there is no clarity among ASEAN members and the three as to what this animal will end up being. Are we talking only about trade and investment, or are we talking about trade, investment plus security, or are we talking about everything leading to economic and political union? Certainly, I don't think anybody is thinking of using the EU model or the NAFTA model. I think the EU's experience would be extremely helpful here to different constituencies in ASEAN.

Europe also has a very useful role to play, considering that as China becomes a more engaged global citizen, it has to assume the responsibility of a world power. China is not quite ready for this, since it has no experience. It has to learn from friends. And what we're really talking about here is not just China exercising its power internationally, but how China can progress domestically in terms of its own

Peter D. Sutherland,  
Delfin Colomé



political development. China needs to create a rule-of-law system, meaning full democratization in the Western mode. Here we are truly talking about responsibilities, accountabilities and governance, and how today's public administration can answer to the needs of the people, whether through the existing system or another system. The development of NGOs and other institutions is important, and, again, China lacks experience. It needs friends – friends who can talk to it as a partner, friends that have the high ground, the soft power that we have mentioned. In playing that broker role, I think Europe can gain a position of influence and thereby secure more opportunity generally, not just on trade and investment, but also in terms of Asia's geopolitical development.

### Peter D. Sutherland

I think that we in Europe have to learn to adapt our sense of ethnic difference and, more recently, nationalism, which has caused us to be the cockpit of conflict for the world for a thousand years, to a new type of thinking. Otherwise we will be condemned to relive our history as we

have so many times in the past. After World War II we moved to a new relationship with each other based on new concepts, and we left behind balance-of-power politics. But we couldn't tame nationalism, which in my opinion is basically racism, because it is based upon a certain sense of superiority. Nationalism is something that has created great evil; it has been a curse to mankind in ways that we hope won't happen again. We've changed things in Europe – I wouldn't say irreversibly though, just think of the Balkans. So we have to tame nationalism and we have to tame it universally. I think the only way we can do it is by setting up a framework, as we have done in Europe uniquely, which makes self-interest and integration part of our daily life in a way that makes it very difficult to reverse. Take, for example, the relations between Germany and France since World War II. We have to build on this.

And there are a number of areas where we perhaps have to build on this because we cannot tackle them alone. One is the environment, one of the great challenges of the future. None of our grandchildren will survive the world into which they are born without some trauma unless we do something together about the environment.

Another area is migration, which is now a global phenomenon. By 2050 over 50 percent of the population of France will have been born outside France, and similar figures will apply to all of the European states. We have a new world where we have to adapt to integrating cultures or else we are going to end up with fractions within our own societies. We are living in a world where movement brings with it a new aspect of interdependence. During the period between 1870 and 1914, we had relatively greater movements of people, but it was of a different type. It was basically people from the Old World, Europe, going to the United States. That was a cultural nexus, which was quite different from large numbers of Muslims moving from North Africa into Europe.

So what we need is a new approach to the issues of nationalism, the environment and integration. And this has to begin with our teaching of history and our educational systems.

## Surendra Munshi

I think from the Asian side we have given a lot of advice to the Europeans today, and I would like to say that there is one bit of advice that we in Asia could and should take from the European example. We have difficult conflicts in Asia, and the threats are great. We need to consider these threats. That is where the European Union, in my opinion, is an example that we in Asia could do very well to emulate. We should start in the direction of the European Union. Despite all its problems, its conflicts, its distress, despite all the votes against the constitution and other bothersome trials, what has been achieved is not just important for Europe, but for humanity as a whole, and especially for Asia. We need to develop something like an Asian Union, following in the footsteps of Europe.

## Pascal Lamy

There is a discrepancy between the economics of globalization and the politics of globalization. And there will be a discrepancy as long as our concepts remain the 19th-century concept of a Westphalian system, as long as our vision of international relations remains the nation-state, military power, the concert of nations, as long as it remains alliances that can go one way or another depending on what is best for one's sovereignty. The problem is not that this discrepancy exists. The problem is whether it's globalization that has to adjust to the Westphalian order or whether the Westphalian order has to adjust to globalization. The answer to this question is pretty obvious: It's the second solution. Our concept of international relations has to change as a function of globalization and not the other way round. If the theory does not match the reality, it's the theory that has to change and not the reality. A large part of the thinking and the teaching in international relations is still based on an old-fashioned concept that dates from 1648. And it's time that it should be reviewed.

As far as regional integration in Asia is concerned, there is a huge difference to the European Union. From the beginning, European integration was seen as a political objective. It was politics that started European integration; economics was only the means chosen for what Jean Monet called *de facto* solidarities. But the purpose, the primary purpose, was politics. It was to create a union, and it was a sort of spill-over effect from economics into politics that has created the engine. So it is about political will, and there is not much of that in the Asian integration process at this stage.

Albert Speer,  
Heike Maria Kunstmann



Finally, I would like to stress that of course globalization creates identity searchers. And you can see that in Asia presently. There is a lot of going back to traditional values, to art, to culture, to religion. But this is inevitable, and it is the only way to make sure that these differences, which are appearing more and more, are under-

stood. It is the flipside of the coin. And that is an important point. We've listened a lot to political scientists; we've listened a lot to economists. We haven't listened a lot to anthropologists. Those are the people we need to include in the discussion. I strongly believe that is what is missing from our current understanding.



Orit Gadiesh, Pascal Lamy



# Session 3 – Culture

## Introductory remarks

by Reem Khan

*Coming from a country where the very word culture is quite literally defined by religion, many people from my part of the world would find themselves in a predicament of sorts at distinguishing between the two in any sort of hindsight. Whether I may or may not agree with it, everything we do, experiment with or try to accomplish is subject to sacrosanct implications and analysis. From trying to amend laws that were implemented by autocratic leaders of old such as the Hudood Ordinance, which was passed back in 1979 by General Zia-ul-Haq as part of his march on Islamization, to the opening up of theaters and cinemas and the projection of culture-friendly events – they all are subject to the tenants of faith. Where I come from many instances exist to illustrate the point that culture and civility are deeply entrenched within the spectrum of religion and beliefs.*

*Even politics resides within the framework of religious beliefs and interpretations, with faith used to mold public opinion and win over hardline sentiment in favor of the authoritarian power at hand come election time. In their own context, the political experiences of Muslim societies, like those of other societies, create a demand for a pluralist and democratic state. The sad fact is that most Muslim people live under authoritarian regimes in Muslim-majority states, something that prevents the discussion of democracy's compatibility with Islam – which is, at its core, a religion of human rights and understanding, and not what people (especially heads of state, fundamentalists and political players) usually make it out to be – from taking place. At the same time, this state of affairs makes the demand for democracy all the more vital. In this search for democracy*

*within Muslim states we look towards nations such as those in Europe to guide us in using the catchphrases “diversity,” “understanding” and, above all, “freedom.”*

*In Pakistan there is a very real willingness in most educated factions of society to open up to the world, to be more “interested,” not just curious, and to explore their own individual possibilities and potential without limitation. Most of us do not concern ourselves with radical fanaticism; we do not harbor any sort of resentment for those who are more anchored than we are politically, economically and culturally, who enjoy secular advantages. Yet we do wish to learn from them and grow along with them as worldly individuals. Along with the exploration of our own identities and the need for reform and progress, there is a very real sense that no matter how hard we try and how much we try to contribute, there is a need for more acceptance.*

*This brings me to my point, namely that this entire discussion is called “The Asian Century.” Why are we even here in Salzburg discussing the Asian dilemma? Because the repercussions, the impact, the consequences can be felt here, an entire continent away from their point of origin. We have never felt each other's presence more than we do today, yet we have never been more scattered, more disconnected from who we are and from our own and others' cultural identities. A shift in tides is not occurring, but there is a merging of all channels, both the meek and the mighty; we are standing on a colossal plain not knowing or understanding who the others are and what they represent. What many fail to see is*

*that we are all part of one very large, very diverse and, unfortunately, very estranged family, where a single action by one family member can lead to a thousand repercussions for the others.*

*A case in point: the cartoon fiasco and how it affected my life. I am not a hardliner and I did not go out torching European flags as shown on many television stations. As an everyday person, however, not just my sentiments but my respect and admiration for all the arguments for free speech that the West stands for were dealt a blow. Those few little drawings – which made some laugh, some cry and some outraged – brought hordes of people in convulsions of anger out onto the streets of my country, an act I felt was unnecessary, as patience is always a better response. Strikes were observed for up to seven days at a stretch, and the entire nation came to a standstill. I could not go to work for days at a time; my life came to a halt. This, in my opinion, was the side effect of a bigger chain of actions, one that could have been avoided had there been more respect for human emotions and feelings, had there been mutual understanding that without acceptance every member of this disillusioned human family is somehow or other going to be affected by the actions of another.*

*Taking a cue from my own experiences, where I clearly see that in many segments of society religion is a way of life, I really do believe that no matter where we are in the world, be it my own country or here, only one word represents how we can bridge this cultural divide, and that word is tolerance, meaning having a very real sensitivity towards the sentiments of every group in society. Altruism, in my mind, although utopian in its ide-*

*als, is probably the most important step towards establishing any kind of abiding gangway through this mass upsurge of interdependent cultural diversity. Europe is now home to a staggeringly large number of people from different ethnic and theological backgrounds, and is experiencing a meshing of cultures and a unique exchange of enlightening thought processes, which is allowing each to learn from the other. This state of affairs now seems to be considered a prerequisite for effective action instead of being conceived as a quagmire of interests. Home to an extraordinarily rich cultural heritage, Europe needs to be more inclusive of those present within its framework and those who wish to learn from it, be they individuals who harbor different spiritual ideals or who practice those ideals in whichever way they choose. Muslims, generally, are extremely moderate and compassionate, although events in this day and age will prevent most from seeing them that way. Knowing myself and the people I interact with in a Muslim-majority nation, I can safely say that your average Muslim does not wish to sabotage the West's own traditions and legacies, but would like to learn from them whilst being free to practice and choose according to his or her own spiritual context. Europe needs to be more optimistic, or shall I say less gloomy, about Islam and its followers, needs to be more respectful and willing to allow others to abide and grow, whilst leaving behind cultural smugness and coexisting instead with those who wish to learn. Above all, Europe needs to “grow” alongside them.*

*When I speak of being inclusive, I'm basing my stance on a political culture that places paramount importance on the right to express*

*and a willing acceptance of religious and ethnic differences, including the right to displays of faith that others might consider a tad eccentric. The recent deliberations on wearing headscarves are just such an example. It all boils down to the freedom of expression Europe holds so dear. Let us embrace a culture that does not limit an individual's right to practice his or her faith in any way he or she sees fit, from prostrations to veiling or unveiling, to being open to religious arguments without insulting or hurting anyone's particular leanings. There are lots of things regarding US foreign policy one may not agree with. But one thing I would say about the United States is that I know of many Muslims who really do feel at home there. Why? Because there is such a wide variety of ethnic and religious groups, there are so many different people, that all these groups have been given a lot of leeway to indulge in free speech and religious debate and argument. Whether that is changing now is another thing, but that has been the case up until now.*

*I really believe that so much can be gained through a meshing of culture, an engagement in dialogue and greater tolerance towards everybody's need for a unique identity – and a Muslim's cultural identity can not be separated from his religion. These gains can be realized not just by Europe as a whole, but by those integrating individuals who, due to an amalgam of diverse opportunities and factors, can reassess age-old beliefs and practices and start to ask the fundamental question: Are the beliefs and practices of my parents and their parents before them a part of my religion, or are they part of my cultural tradition? In terms of individual development it is paramount that new generations start drawing the distinction between faith and culture. Religious interpretations come with cultural backdrops, and when there is a welcome change in cultural settings, interpretations also revolve 180 degrees. In this relationship of fostering different social values and*

*allowing a fusion to occur, members of the younger generation can assess the different tenants of their faith as a matter of choice and not as the result of social compulsion.*

*When such cross-cultural progression occurs, it is only a matter of time before its influence spreads to the whole of the Muslim world. Instead of finding modernism a negative challenge, it can be looked upon as a necessary change. Unfortunately, this negative challenge is found much more abundantly in the developing world, because its inhabitants are limited where freedom is concerned and, therefore, they cannot analyze problems effectively enough to find apt solutions. To dilute the tension between Islam and modernity, educated thinkers in the West must address the issue and transfer solutions back to their home countries. This, in turn, will be a positive step towards combating extremism and preventing cultural backlashes. Instead of living alongside European society, it's time that different ethnicities started constituting part of a single, workable, proactive society.*

*All in all, with the so-called Asian Century looming, an unquestionable display of Asia's economic and social progress can indeed be seen, even if it is occurring one baby step at a time. As stability increases, we look forward to a better life, provided by better living standards and lifestyles. We are becoming more attuned to basic human rights being our indisputable prerogatives and will want greater political rights and social protection to match our ongoing economic wealth. For that we need to feel part of the family I mentioned above, included in a culture that speaks of benevolence and acceptance and welcomes integration. Exclusion must make way for inclusion, and different ethnicities must not be deemed unneeded or unrecognizable, but must be made a viable, participating part of such a society.*



Reem Khan, Wolfgang Schüssel

## Albert Speer

In my opinion, the keywords for facing the challenges of our globalized world have to be education, cooperation and tolerance. There are huge differences between cultures, and many difficulties arise when different cultures try to understand each other. To face these challenges,

we have to be willing to learn. We have to learn to understand each other's way of thinking, of discussing, of dealing with things. Therefore, we have to do our homework first. Education in Germany is not at all international, it does not think in global dimensions, not even in European dimensions in many cases. It still thinks nationally. We are discussing national



Ewald Walgenbach,  
Paul Kennedy, Albert Speer



Clemens Hellsberg,  
Yue-Sai Kan, Liz Mohn

problems and this is the first thing that has to change. We need to focus on languages, on exchange, on topics that are of global relevance like the environment, and we have to get into more discussions and dialogue, become more personally engaged with other cultures. This includes Islamic, Chinese and Indian cultures, since we are talking about the next generation! And we need more transfer of know-how. Cooperation is the right way of going about it. I am very optimistic that with our know-how we can help other countries to develop and can cooperate with them in a way that is to the benefit of us all.

### Yue-Sai Kan

First of all, I would like to congratulate you, Professor Speer, on your project, Anting New Town in Shanghai. It is really remarkable and proves that business can do a lot to change how people look at the way they live. My own small personal effort is headed in the same direction. In the last 20 years I have been trying to bring about understanding between East and West through business and the media. In the TV shows I have

created and the books I have written, in bringing cultural events to China and in all my other activities I have always wanted to inspire people and give them a chance to learn about the rest of the world. I have wanted the Chinese to discover the Western world and vice versa. It's surprising how much people want to learn. China's leaders are so amazingly open that it is really a privilege to be involved with them. Regarding the connection between culture and religion that was previously mentioned, I have to state that China is very different, because with China you cannot say that culture is religion. In fact religion is really not talked about in China at all, no matter what the government says.

### Peter D. Sutherland

I agree that we have to bring religion into the debate, because religion's exclusivity is part of the problem. The Chinese may not have a religious issue, but much of the world actually does, and it indeed identifies people in a way that many throughout the world also identify with culture. But it also often says in pretty direct terms that the people who are members of a particular reli-

Helga Rabl-Stadler,  
Heike Maria Kunstmann



gion are members of the chosen people, and that description automatically defines others as being either tainted or excluded or even damned. So religion has a key role to play in this whole definition of the future of the world in which we live.

Of course there are many reasons today to ask ourselves: Is an ideal world a world without religion? Would we all be better off living in a place where religion is largely irrelevant? I don't think so, because even if many are not overtly religious even those have all been formed by some of the basic tenets of the world's religions. I think the essence of religion is generally good. It is "love thy neighbor," and it is the abuse of religion which has led to problems. We have to embrace and open up to religion - and this includes China - as a positive force, rather than marginalizing it and creating division around it. Religion is there, it cannot be denied; it is a need felt by many of us. We should be bringing it into discourse, because it is an essential part of where we are going. What we need to do is foster engagement between politics and religion and not merely tell the religions to be more ecumenical. We and they must engage in dialogue with each other.

### Helga Rabl-Stadler

I don't think that a world without religion would be a better world, but as a matter of fact the great religions didn't succeed in spreading love, but in spreading hatred. Unfortunately, it was like this. In facing the challenges of our world, a world in transition, I believe in exchange between young people and the power of culture to bring us together. The big problem for intercultural understanding is that in countries like Pakistan culture is defined by religion, and in the Western world it is not. That is also why it is so difficult for us to find an objective counterpart with whom we might enter into dialogue. I think the cartoon fiasco has shown us that there is a big difference. In the Muslim world there are many taboos; in the Western world no taboos exist anymore. In my opinion, only if we succeed in separating religion and culture we will have tolerance and a common base to communicate.

### Surendra Munshi

Religion can be humanity's most destructive force and, at the same time, religion can be its most constructive force. So we need to see how to get the



Liz Mohn, Matthias Jäger,  
Surendra Munshi

positive without the negative. The bad guys have got the negative very well; the good guys have not been able to get the good side of religion at all.

Kant said that there is nothing as good in this world as goodwill, and in fact there is tremendous goodwill all over the world, in the Islamic, Hindu and Christian world, in the Western and Eastern world. But what has happened is that this goodwill has become marginalized. It is not big news. What is big news is when the bad guys raise their slogans and behave in a destructive manner: London under attack is big news. The goodwill is submerged, and we have not yet found ways of bringing it out and giving it big-news status.

We are up against an interdependent world in which harmful tendencies threaten our lives in very serious ways, and all of us are affected. We have not yet found ways of handling the threats that are unconventional, that are vicious. We have to struggle and find answers to the problems that threaten us, in conformity with our human tradition of using our resources and finding solutions, no matter how big the problem is.

The most important question probably is: How

do we treat intolerance from a tolerant point of view? If I were an American, I would say this is indeed a million-dollar question. My point is that the West is also seen as intolerant by some people from the non-Western point of view. So the first step is to see that intolerance can be seen from both sides. The second step is to see that in each culture, in each religion, in each society, there are strains of tolerance and intolerance. In my country, Hinduism is supposed to be a tolerant religion, which is indeed true, but that does not mean we should overlook that it has also a strong intolerant strain. We are marginalizing tolerance within each society that we consider to be intolerant, because we don't see the tolerant strain in that particular culture. By doing so we overlook the fact that the intolerant strain in a particular culture is an internal feature, although it is also in part a response to external events.

If we analyze intolerance in Islam, for example, I do not think it is an entirely internal problem. But yet I don't agree with the fundamentalist argument that intolerance is caused by only external reasons. An internal problem in Islam is that there is a major intolerant strain in it. Who will take care of it? Islamic societies will have to solve



it from within. How will it be solved? By encouraging precisely those tolerant voices that have been marginalized, and we should do nothing that marginalizes such voices even more. And therefore my solution for this problem consists, first of all, in identifying areas of intolerance and tolerance in ourselves. The accusing finger must turn first towards ourselves, and once we have done that, we can then identify areas of tolerance and intolerance in others and strengthen the strains of tolerance so that they are not marginalized. In Islam, for instance, there have been many critical voices that we don't listen to; there are internal voices that have become marginalized. The only hope for us is to strengthen tolerance, and this is something we cannot do unless we see the intolerance in ourselves.

### Paul Kennedy

So far we've had no remarks on Pakistan. In the world of global trends, Pakistan features quite highly. We Westerners look at it with considerable alarm, not just because it is Muslim and not just because of its geopolitical position, but because of its population trends. WHO forecasts that the

population of Pakistan is to go from 140 million today to approximately 340 million in 2050. As an environmentalist, I look at that and say: It's impossible. And Western population experts look at that and say: This is dreadful. And the military planners in the Pentagon look at that and say: Pakistan is on our list of countries set to disintegrate in the next 10 to 15 years. I was wondering if this debate is followed in Pakistan, and if so, whether it is followed with resentment and seen as cultural condescension. I also wonder if these perceptions that the rise of Asia in demographic terms is a danger to the West have an answer that can be called fair-minded. If so, it will not avoid what looks to me like a pretty good demographic fact.

One of the questions that is in most minds now is how Europe can deal with its considerable and growing population of immigrants from different cultures, and particularly those from the Muslim world and Asia. I grew up in an Irish ghetto in the northeast of England where we were certainly discriminated against in terms of housing and schooling and everything else. There were a few Pakistanis around running all the corner stores, they were called the "Paki stores," but they went to the same schools, the church schools, and there did



Jürgen Strube, Veit Sorger

not seem to be the apprehension that there now is quite clearly. What I am concerned about is that in our societies, in England, in France, in Germany and elsewhere, the perception is that assimilation is not working, that there is a ghettoization of the immigration community and that oil and water, so to say, do not mix. So here, too, the rise of Asia is impacting European perceptions, which are cultural perceptions, but have to do with religion as well. That seems to me critically important.

### Delfín Colomé

We talked about the need for education and the need for dialogue. I think that goodwill is very important here, but I would like to add a quote by Molière where he says that money and money alone is the key. Dialogue not only implies the goodwill to participate in it, but also the capacity to enter into it. Dialogue not only needs strategic thinking, but strategic financing as well. Often in the past, dialogue has been considered a kind of “soft security” issue, but the perception of many people today is that after the confrontations we have been through in recent years, dialogue is more and more a “hard security” instrument - and

hard security talks usually cost billions of dollars, while dialogue is much cheaper. Therefore we citizens, civil society, should push our governments to be aware that public money has to be allocated to international dialogue, and we should not look at it as expenditure but as an investment.

### Jürgen Strube

We are talking about culture being determined by religion. I would like to ask if it is not one of the features distinguishing Europe from Asia that in Europe we had something which we call the Enlightenment. In my opinion, moreover, the Enlightenment has played a major role in setting culture apart from religion in Europe. According to the definition by Kant, the Enlightenment means that man can exit from self-imposed dependency. That means we can undo the fetters that bind our minds, and that is and has been a very important topic for the last two centuries in Europe. It is one of the key features that have made Europe, that have helped Europe to develop the sciences. Given this, I would very much like to promote the European understanding that culture is not defined by religion. Religion is part of it, but the Enlightenment's

call is to become self-determined, to accept responsibility, not only in society but also with respect to God, and not to depend on mediators who come between men and God. I think this is a key point distinguishing European from Asian values.

### Pascal Lamy

We should not systematically confuse values, culture and religion. There are deep differences between these concepts and the way they are rooted in various societies. And I do not think there is any difference between Europe and Asia, or the Western world and Asia, in terms of religion. In Europe, less than 10 percent of the population believes in God; in the United States more than 60 percent of the population believes in God, which is a huge difference. And in this respect, there is as much a difference between Europe and the US as there is between China and Pakistan. The difference is – and it is not a European-Asian difference – in the way secularization has happened historically and the various historical and ideological conditions under which this separation – between politics and religion and the state and individual – has taken place. It is true that it happened in Europe largely through the Enlightenment, but it also happened in Europe through very specific intentions by people who wanted to withdraw society's most vulnerable from the influence of religion. Just think of the social assistance system, the healthcare system or Europe's publicly funded education system, which was invented to remove people from the church's influence.

For a long time now in Europe there has been a sort of stabilization of the frontier between religion and politics. Most people who belong to a religion in Europe had found a sort of balance between the domain of personal beliefs and the world of politics, and they wouldn't easily cross

this frontier in the name of religion. Even within Christian political parties after the Second World War, the notion was not that you were carrying your religious flag into a political battle. I think this rather well-established frontier, which has existed from the 1950s or 1960s in Europe, is changing now, because of globalization and because of the importance of the Muslim religion and the fact that in the Muslim religion there is no frontier between politics and religion. I think it is quite interesting that under the Muslim influence, religion will in some ways have to come back over this frontier and accept that because others do it in other religions, there will be an interaction between personal beliefs and politics.

### Victor Chu

Many of the problems we have in the so-called disconnect between different civilizations and cultures are a result of globalization and the advance of technology and the Internet. We are now living transparently in a global village, and the sharp differences between the haves and have-nots and the different focuses on different cultures bring this to the forefront. In the past one had the luxury of time to deal with such problems; today, changes happen so quickly and are virtually instantaneous. What we need today above all is tolerance towards each other; and tolerance can only be achieved through long-term education.

Professor Speer mentioned how education can change things. I share his experience that our educational systems lack a global view. So it's the school curricula we have to modify. Apart from the curricula, however, education is only as good as its teachers, so we need to go right to the roots of the problem, beginning at preschool. If we don't win children over before the age of 10, the challenge will be too big to overcome. So we



are talking about putting a lot more resources into designing the right curriculum for preschool teaching, and to make sure that preschool teachers understand the Enlightenment, understand the global vision and share the value of recognizing humanity's global nature.

Regarding the religious issues, I think the key is how to introduce diversity within the constraints and the discipline of Islam, and in doing that we can use technology and the Internet to reach out to people who we might not otherwise be able to reach in day-to-day schooling. I totally agree with Professor Munshi on what he said about goodwill. Children growing up today are confronted with violence, sex and intolerance all day long. We see very little about charity, love and kindness in the mass media. We need to include more positive human experience in order to counteract the day-to-day violence and intolerance.

### Orit Gadiesh

I agree that religion has been, unfortunately, the cause for more bloodshed in the world than anything else and, therefore, the way religion is

still practiced today in parts of the world, with little tolerance or understanding of other religions, I'd rather not have it than have it. In my opinion, there will never be peace without education. I wonder how many people have read the Old Testament, the New Testament, the Koran, and some of the teachings of Buddha and Confucius. Not many. It has to be part of our education. We need to be practical about this or it is going to get worse. Other countries' histories should play a bigger role in our education, other countries' literature. Literature tells you so much about how other people live and how they think, and if we only study our own, right there we have a lack of understanding of others. If everybody (in the world) was learning some of the same things at the age of three, that would begin to get people thinking and acting in the same way. And if people actually start thinking the same way, that is already a first step.

### Veit Sorger

In the near future Europe will be home to only 5 percent of the world's population. And in our various societies in Europe, we will need many

more immigrants in the future, whether we like it or not. This means, that we need more openness and a much better understanding of international culture. In all our educational curricula there is a lack of internationalism and a lack of knowledge about religion and culture. We have to face that challenge, we have to adopt those curricula and we have to work very hard on different levels. This has to start not on the high level of the university, but in kindergarten and continue from there. We have to see to it that we create a better understanding of each other. I am sure we will succeed. Maybe not in my life, but in generations to come.

### Ketan Patel

I think that tolerance is not going to be the only answer to the very fundamental issues we are facing. It is a long-term endeavor. Long term, of course, we need to breed tolerance, and it isn't

the easy answer. The question is whether we have the leaders who understand the nature of the fundamental changes going on today, and have a clear idea of what to do. I am not sure that we have the answers, but if the European Enlightenment led to the West gaining the upper hand and leadership in economics and in politics, September 11 changed the character of that leadership for the world. It made Americans feel insecure. While they were secure, the ideology was about openness, especially trade, because when you are secure you want openness. When you are scared, you want protection. And we are moving into an era of fear, so we are going to want protection. We are going to put up barriers and we are going to become more closed. When we started the 21st century we were very optimistic. We thought, the “Russian problem” is gone, we can now move forward together, capital markets are on the rise, wealth is going to be created along with globalized prosperity and so on. And then there was this swing towards fear.



Ketan Patel



Wolfgang Schüssel,  
Zhaorong Mei

September 11 created a new fear around Islam. If we examine this issue, there is often a feeling that perhaps certain extreme groups of people have high-jacked Islam and these people are actually doing things in the name of Islam. These things do not fit with our institutions, our history and our culture. And one of the central issues is probably the separation of religion and culture. This binding together does not have to be a problem. In India religion and culture are often bound together, too.

The swing towards fear needs to be addressed very fundamentally. This issue is not about business. It's fundamentally about great leaders, and I don't know who the great leaders are, but we should find them and put them to work on this issue.

### Zhaorong Mei

It has been said that religion is irrelevant in China. That is correct if you mean that there is no religious conflict in China, but actually we have religion and it plays an important role in society. I believe we have four religions altogether, and

about 100 million people are believers. Taoism is of Chinese origin, while all the other religions came from abroad. Religion is not a problem for us. In terms of the global conflict between religions, I think this is not only a religious question, it is also a political and economic matter. It is deeply rooted in politics and in the question of whether the gap between rich and poor is expanding or narrowing, whether the international order is fair or not. In order to improve mutual understanding and to reduce the conflicts between different cultures, politics must play an important role, the leading role. But the business world can do many things as well. Sometimes when it comes to Asia, entrepreneurs understand better than politicians, because parliamentary members don't usually study China's conditions or its historical background. They just read the headlines in the newspapers. But business people have to study the background issues, otherwise their projects won't be successful. We have to tolerate and to respect others, otherwise such projects won't succeed. Perhaps the business world could tell the politicians more about its experiences, about how important it is for both sides to know the other, and the importance of understanding the other side's historical background.

Marc Minkowski,  
Gabi Burgstaller



## Nand Khemka

Talking of Asia and Europe, we should not forget to mention the importance of tolerance in Asian culture. And perhaps Asia can contribute something to the efforts for respecting each other's culture that we must all develop. Indian culture, for instance, has always been very tolerant. We have Muslims who came, I believe, in the 8th century. Today, India has the world's second largest Muslim population. India and Pakistan together have a considerable Christian population, in addition to other groups. The Jews arrived in India in the 14th century, the Parsis landed there about 400, 500 years ago, and we embraced all religions. We learnt from each other's religions and each religion has enriched us. So I think tolerance and religion is fundamental to the DNA of every human being in some form or other. As Ambassador Mei said, a number of religions came to China from other parts of the world, including India, and they have been embraced as part of the overall culture.

## Marc Minkowski

I believe culture and a mixture of culture and origins can help during the crises of the 21st century. I notice a growing number of Asian musicians in orchestras in Europe and that classical music in Asia is becoming more and more important. We see huge opera houses, constructed by French architects. We remember the work of Isaac Stern and Yehudi Menuhin explaining music in China and India. We have incredible talent coming from these countries, studying in Europe, coming to play in the orchestras here, and we are still waiting to see the return, how classical music, how orchestras, how festivals and international exchange will benefit. This is something I am very much waiting to see. Culture and exchange between Asia and Europe will undoubtedly also grow stronger as the cooperation between these continents expands. What I would like to see is a sort of transfer of mentality. We cannot only be Europeans imitating Asian art, whether it is in choreography or in cinema, and vice versa. Rather, Asians must come to study in Europe and bring us elements from their own culture. This is of course a long-term project, but I hope it will happen, for the benefit of us all.



Clemens Hellsberg, Yue-Sai Kan

## Clemens Hellsberg

We have spoken of the concepts of tolerance and intolerance. One of the components of intolerance is arrogance. Intolerance develops from an arrogant lack of interest in that which appears different. If we are willing to take an interest in other cultures, there are important steps we can take. This must be done with an attitude of goodwill. Goodwill alone may not be enough, but we strive with many other artists to proceed in this manner. Music is perhaps one of the best means available for working together to build bridges between different cultures through playing together. Daniel Barenboim and his projects are a prime example. Look at the list of our conductors: Seiji Ozawa is Japanese, Zubin Mehta is Parsi, Valery Gergiev is Ossetian and Lorin Maazel is American, to mention only a few. It is fascinating that in music one develops a mutual understanding, a shared sense of knowing what the other will do in the next moment. This is not possible with an attitude of arrogance.

## Dieter Vogel

I think getting along with each other, with different people and different religions, much

depends on the individual level, as has been said. It will definitely boil down in the end to these very tiny ways of progressing. I wouldn't underestimate them. People like us are gathered around this table, and we're able to multiply our experiences by not restricting them to a bilateral situation of one or two people. In my opinion, we should concentrate more on basic value development, basic values which can then serve as the background for a worthwhile society. And music can play an important role in this, in education in general. We all know that religion and music go well together. Music is also a means to improve not only the cultural situation, but coexistence among different societies. I think we should develop the assets that we have in educated societies and introduce them all over the world by encouraging dialogue between different cultures and by promoting tolerance and cooperation.

## Reem Khan

I would like to stress that when we speak about fundamentalism, fanaticism and extremism, this is not what Islam is about. Muslims do not preach to go out and kill, and those who

Dieter H. Vogel, Jürgen Strube



are doing that are involved in political power games. It has nothing to do with religion; it is the abuse of religion. It is not what Islam is about. I think the cultural coexistence we need today is all about respect for individual religions and cultures and about a willingness to tolerate and accept. We have so much to learn from each other, so much growing to do. But first we need to overcome these mental freeze-

frames, this blockage, this fixed mindset that many of us are caught in of what we are and what the other is. If we can just move past that, then I am sure we will gain a lot.



Ketan Patel, Reem Khan



# Program

## Wednesday, August 9, 2006

Arrival of participants

Welcome Cocktail

Terrace, Hotel Sheraton

Opera “Le nozze di Figaro” with Anna Netrebko

Conductor: Nikolaus Harnoncourt

Director: Claus Guth

Haus für Mozart

Dinner hosted by Federal Chancellor Wolfgang Schäussel

Schloss Arenberg



Claus Guth's production of *Le nozze di Figaro* – stage and costume design by Christian Schmidt and lighting design by Olaf Winter – was one of the highpoints of the 2006 Salzburg Festival

## Thursday, August 10, 2006

First Session of the Colloquium – Economics

Konferenzzimmer, Residenz

Lunch hosted by Federal Chancellor Wolfgang Schäussel

Apéritif Ante camera, Lunch Audienzaal, Residenz



Impressions of the production of *Irrfahrten II – Abendempfindung* (directed and choreographed by Joachim Schlömer) and of the dinner hosted by Liz Mohn at the historic Goldener Hirsch restaurant

## Second Session of the Colloquium – Politics

Konferenzzimmer, Residenz

Dinner hosted by Mrs. Liz Mohn

Rosa Salon, Restaurant Goldener Hirsch

*Irrfahrten II – Abendempfindung*, a Mozart trilogy

A co-production with the Ludwigsburger Schloßfestspiele

Conductor: Michael Hofstetter

Residenz

Nightcap

Terrace, Hotel Sheraton

## Friday, August 11, 2006

### Third session of the colloquium – Culture

Konferenzzimmer, Residenz

Lunch hosted by Governor Gabi Burgstaller

Salzburger Kulisse, Haus für Mozart

Departure of the participants

# Participants

**Prof. Wolfgang Aulitzky** Medical Director, Confraternität Private Hospital, Vienna **Mag. Gabriele Burgstaller** Governor, Land Salzburg, Salzburg **Victor L. L. Chu** Chairman, First Eastern Investment Group, Hong Kong **Dr. Delfin Colomé** Ambassador of Spain to the Republic of Korea, Seoul **Orit Gadiesh** Chairman, Bain & Company Inc., Boston **Prof. Dr. Clemens Hellsberg** Chairman, Vienna Philharmonic, Vienna **Yue-Sai Kan** Entrepreneur and Humanitarian, New York/Shanghai **Prof. Dr. Paul Kennedy** Professor of History and Director of International Security Studies, Yale University, New Haven **Reem Khan** Journalist and Writer, Lahore



From left to right: Delfin Colomé, Nand Khemka, Albert Speer, Helga Rabl-Stadler, Pascal Lamy, Heike Maria Kunstmann, Wolfgang Schüssel, Dieter Vogel, Liz Mohn, Ewald Walgenbach, Victor Chu, Wolfgang Aulitzky, Zhaorong Mei, Veit Sorgen, Ketan Patel, Jürgen Strube, Surendra Munshi, Marc Minkowsky, Paul Kennedy, Orit Gadiesh, Clemens Hellsberg, Reem Khan



**Nand Khemka** Chairman, SUN Group, London **Dr. Heike Maria Kunstmann** Director General, Gesamtmetall, Berlin **Pascal Lamy** Director General, World Trade Organization, Geneva **Prof. Dr. Zhaorong Mei** Chairman, Academic Steering Committee at the Centre for European Studies, Fudan University Shanghai; Former Ambassador of China to Germany **Marc Minkowski** Conductor and director, Les Musiciens du Louvre, Grenoble **Liz Mohn** Chairwoman of the Bertelsmann Verwaltungsgesellschaft (BVG); Member of the Supervisory Board, Bertelsmann AG; Vice-Chairwoman of the Executive Board and of the Board of Trustees, Bertelsmann Stiftung, Gütersloh **Prof. Dr. Surendra Munshi** Professor of Sociology, Indian Institute of Management, Calcutta **Ketan Patel** Founder and CEO, Greater Pacific Capital LLP, London **Dr. Helga Rabl-Stadler** President, Salzburg Festival, Salzburg **Dr. Wolfgang Schüssel** Federal Chancellor, Federal Republic of Austria, Vienna **Dr. Veit Sorger** President, Federation of Austrian Industry, Vienna **Prof. Dipl.-Ing. Albert Speer** Managing Director, Albert Speer & Partner GmbH, Frankfurt **Prof. Dr. Jürgen F. Strube** Chairman of the Supervisory Board, BASF AG, Ludwigshafen **Peter D. Sutherland** Chairman, BP p.l.c., London; Chairman, Goldman Sachs International, London **Prof. Dr.-Ing. Dieter H. Vogel** Chairman of the Supervisory Board, Bertelsmann AG, Gütersloh **Dr. Ewald Walgenbach** CEO, Direct Group Bertelsmann; Member of the Executive Board, Bertelsmann AG, Gütersloh

The lively discussion continues during the break, while Verena Nowotny and Elisabeth Sevelde-Gredler try to assemble the participants for the next session

# Publications

Bertelsmann Stiftung (ed.)

## **Promoting Cultural Identity in the Age of Globalization A German-Egyptian Experience**

(Liz Mohn: A Cultural Forum; Volume I)  
Gütersloh: Bertelsmann Stiftung, 2002  
ISBN 3-89204-679-4

Bertelsmann Stiftung (ed.)

## **The Impact of Globalization on Cultural Identity in Business A German-Japanese Dialogue**

(Liz Mohn: A Cultural Forum; Volume II)  
Gütersloh: Bertelsmann Stiftung, 2002  
ISBN 3-89204-675-1

Bertelsmann Stiftung (ed.)

## **Corporate Cultures in Global Interaction**

(Liz Mohn: A Cultural Forum; Volume III)  
Gütersloh: Bertelsmann Stiftung, 2003  
ISBN 3-89204-764-2

Bertelsmann Stiftung (ed.)

## **Corporate Cultures in Global Interaction – Experiences in Business**

(Liz Mohn: A Cultural Forum; Volume IV)  
Gütersloh: Bertelsmann Stiftung, 2004

Bertelsmann Stiftung, China International Culture Association (eds.)

## **Learning From Each Other, Acting Together A Chinese-European Dialogue on Cultural Diversity**

(Liz Mohn: A Cultural Forum; Volume V)  
Gütersloh: Bertelsmann Stiftung, 2006

Bertelsmann Stiftung, Rajiv Gandhi Institute for Contemporary Studies (eds.)

## **Cultures in Globalization A Europe-India Dialogue on Global Challenges and Cultural Visions**

(Liz Mohn: A Cultural Forum; Volume VI)  
Gütersloh: Verlag Bertelsmann Stiftung, 2006  
ISBN-10: 3-89204-905-X  
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Victor Chu examines some of the Bertelsmann Stiftung's recent publications

Bertelsmann Stiftung, Austrian Federal Chancellery (eds.)

**A Modern Concept of Tolerance**

(Trilogue Salzburg 2004)

Gütersloh: Bertelsmann Stiftung, 2005

Bertelsmann Stiftung, Austrian Federal Chancellery (eds.)

**Global Responsibility – What's Europe's Message?**

(Trilogue Salzburg 2005)

Gütersloh: Bertelsmann Stiftung, 2006

Bertelsmann Stiftung, TNS Emnid (eds.)

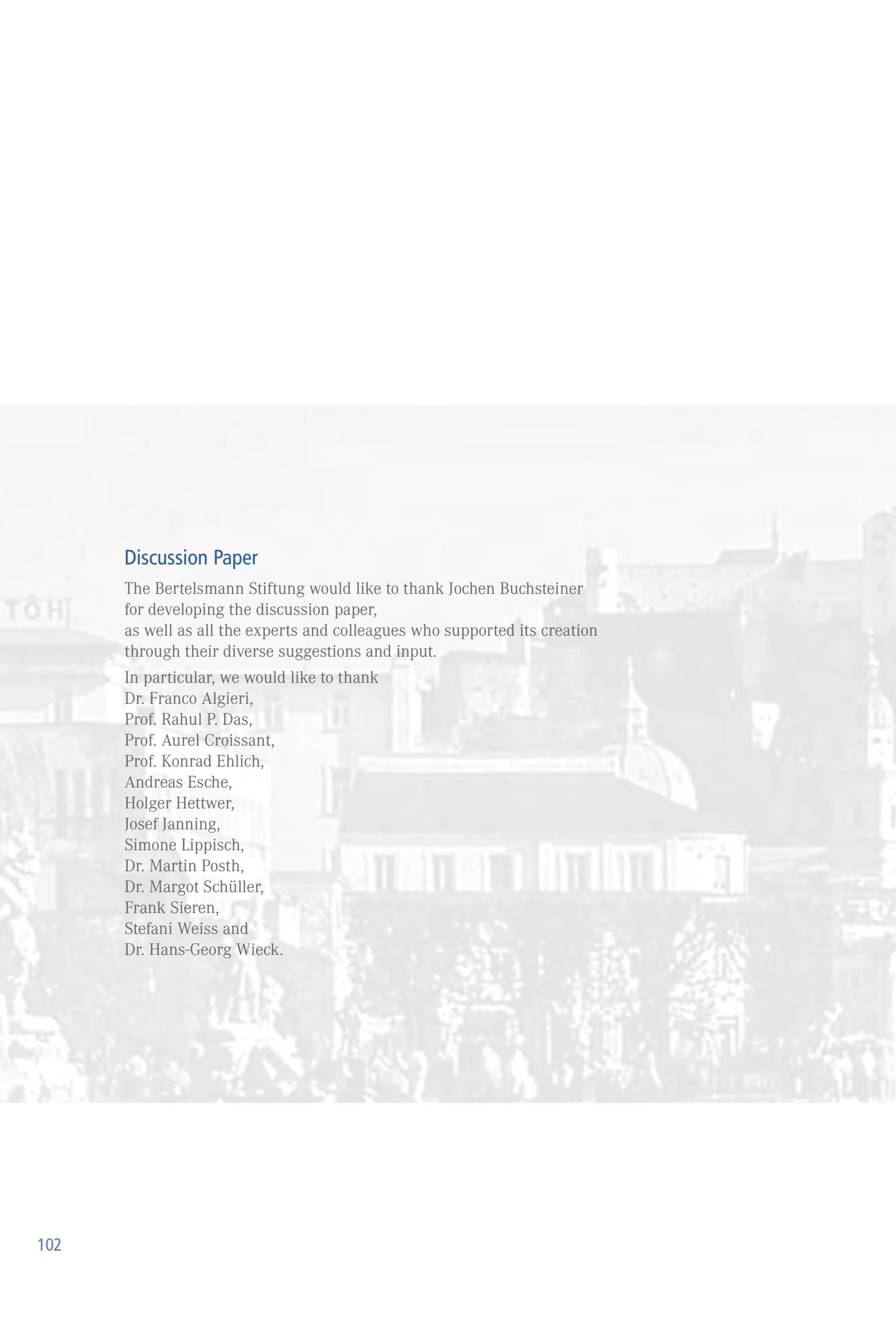
**World Powers in the 21st Century**

The Results of a representative Survey in Brazil, China, France, Germany, India, Japan, Russia, the United Kingdom, and the United States  
Berlin: Bertelsmann Stiftung, 2006

Bertelsmann Stiftung (ed.)

**Who Rules the World? World Powers and International Order**

Conclusions from an International Representative Survey  
"World Powers in the 21st Century"  
Berlin: Bertelsmann Stiftung, 2006



## Discussion Paper

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Asia is a continent of extremes. Both the earth's highest point – Mount Everest, at 8,848 meters – and its lowest point – the Mariana Trench, at 11,000 meters below sea level – are located in Asia. It is a continent of extreme variety, extreme diversity, extreme opportunities, extreme risks, extreme imbalances, and extreme ideas in terms of sustainability. In today's world, we are experiencing a level of interdependence that goes far beyond commercial exchange; we must now also work together politically, and on many levels. We are influencing each other culturally: We in the West already live with so many ideas and influences from Asia – be it in fashion, cooking or healthcare – and in the near future we will do so even more. We are coming closer together, and in order to make the best of the approaching encounters we need to be prepared: We need to be curious, we need to be more open-minded and we have to overcome *unsere Enge* – our own barriers, blockades and bottlenecks.

Dr. Wolfgang Schüssel

