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## Why can't countries think like companies?

Kishore Mahbubani | Nov 16, 2014, 04:33AM IST

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When the history of the 21st century is written and a list is made of the century's greatest missed opportunities, the visit of President Xi to India will probably be on it. No, the visit was not a failure. But it failed to seize the great opportunity that beckons China and India in this century. Why was that? The simple answer is that the minds of Chinese and Indian policymakers are polluted with a European concept invented 366 years ago in the Treaty of Westphalia. That concept is "sovereignty". Why is this concept destructive? Let me explain.

Just imagine that China and India were companies, not countries. As companies, they would study each other's strengths and weaknesses objectively and see whether economic synergies could be exploited to make both companies profitable. Any such objective study would show that enhanced economic cooperation between China and India would be akin to a marriage made in heaven. India badly needs world-class infrastructure. As an infrastructure superpower, China has demonstrated that it can deliver super-highways, fast trains, and cheap power stations to India. And it can even fund them. At the same times, China is running short of labour. India has labour in abundance. Chinese manufacturers could become globally competitive by manufacturing in India. India would then become a manufacturing power.

If I were a McKinsey or Bain consultant looking around for companies with synergistic opportunities, I could not possibly find a better economic partnership. In his heart of hearts, Prime Minister Modi understands this because he visited China four times as chief minister of Gujarat to seize these opportunities. This is why Gujarat has about 31% of Chinese investment in India. President Xi also understood these opportunities. This is why he took the bold step to be among the first foreign leaders to call on PM Modi. Before the visit, the Chinese consul general of China in Mumbai, Liu Youfa, said that \$100 billion of deals could be signed. Instead, only \$20 billion were signed. So what went wrong?

Sovereignty reared its ugly head. While President Xi was in India, there was a Chinese incursion into disputed territory. The Indian media, predictably, went berserk. PM Modi had no choice but to read out a strong statement reaffirming India's "sovereignty" over the disputed territories. The concept of "sovereignty" is particularly toxic because it brooks no compromise. The words "sovereign control" mean absolute control.

Once again, just imagine that China and India were companies. The company of China has a land territory of 9.6 million sq km. The company of India has a land territory of 3.3 million sq km. If these companies were located side by side and discovered that they had a dispute over 7,770 sq km (or 0.08% of China's territory and 0.2% of India's territory), they would consider it absolutely irrational to allow a trivial piece of territory to interfere with the massive growth opportunities they could have. I am not saying that money is the most important value. If China and India cooperate and significantly enhance their economic growth, hundreds of millions of Chinese and Indians will be rescued from poverty. What is morally more important? Rescuing millions from poverty or quarrelling over bits of territory?

So why can't Asian nations compromise on territorial issues? The simple answer is that while Europeans have moved on from the notion of absolute "sovereignty" and indeed given up a significant amount of sovereignty to regional organisations, Asian countries have not followed suit. Indeed, the Europeans have reached a new peak of civilized behaviour by achieving "zero prospect" of war between any two EU states. No two Asian states have achieved a similar "zero prospect" of war. This is why Asians need to seriously ask why they remain mentally colonized by a European concept of "sovereignty".

If PM Modi and President Xi were company CEOs, they would both focus on the larger economic gains and push aside territorial disputes. Unfortunately, if they do so as heads of government, they would be immediately accused of being "traitors" who gave up "sovereign" territory. Sadly, the people making these accusations from their moral high horses would not be aware that their minds are trapped by a 17th century European concept which no longer makes sense in the small, dense, and interdependent world we have created.

Even more sadly, the ferocious defenders of "sovereignty" are not aware that they are the biggest obstacles to China and India seizing a century that belongs to these two countries. And why does it

belong to China and India? From the year 1 to 1820, the two largest economies of the world, as documented by economist Angus Maddison, were China and India. The last 200 years of Western domination of world history have been a major historical aberration. All aberrations come to a natural end. And it would be perfectly natural for China and India to once again have the largest economies in the world.

For over two decades, I have been warning that one big danger that Asians face is that even though Asian countries have been politically decolonized, their minds remain mentally colonized by European concepts. When two major Asian countries ignore a great historical opportunity and instead focus on "sovereignty", the only question that the rest of the world will ask as they watch China and India bicker is: "Can Asians think?"

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Also, countries are about 'positions' not merely 'interests' and though international negotiations theory compels us to overlook positions, let it not be forgotten that the 'majority' is of primary concern, and trumps 'rationale' everytime - more so, because no company can equate 'countries' when it comes to institutional memory and no business rationalisation can overlook the sacrifices made by individuals on behalf of their countries, usually in blood.

 **Anshuman Mainkar** (Gwalior)

Land, however trivial, grants individual rights to live and prosper - fundamental rights come to mind. People are taxed, no doubt, but by equating their contributions/expectations/potential to a corporate balance sheet, the author is seriously undermining human values, social traditions and ethical considerations. And, of course, the author conveniently forgets that Singapore, with an area of 716.1 sq km is puny even when compared to the disputed territory between India and China. If countries were actually companies, Singapore would never have existed, and there would be no LKY School of Public Policy.

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