

Time To Affirm EAEC

The regional financial and economic turmoil of the past two years has brought into focus the need for an East Asian Economic Caucus (EAEC), a consultative body where East Asian countries can gather to deliberate on matters of regional concern.

This is the text of the speech delivered by Dr Mahathir Mohamad in Beijing on the occasion of the Third Malaysia-China Forum on 19 August 1999.



Dato Seri Dr Mahathir bin Mohamad, Prime Minister of Malaysia, is the longest serving elected leader in the world today. He has helmed Malaysia for the past 18 years, pulling it out of a Third World mindset and rallying it to an economic power-house consciousness.

A visionary, he has not only energised the population to move forward with the Vision 2020 blueprint and the Multimedia Super Corridor project, but also extended his reach to many developing nations that find his liberal and pragmatic policies resonate with their particular circumstances.

Bold, outspoken and fiercely independent, he speaks his mind on issues that often put him at loggerheads with the superpowers. He is widely acknowledged as one of Asia's most dynamic leaders this century.

Dato Seri Dr Mahathir Mohamad

Let me begin by saying that it is indeed my pleasure to be back in Beijing again. In a way, I can truly say that I feel at home in China. Why? Because, unlike going to other parts of the world, including to nearby Indonesia or Thailand, I do not have to adjust my watch. For some of our Chinese friends here who are not aware of this – despite the long distance between our two countries – China and Malaysia both have the same time zone. So we can enjoy good times together and commiserate with each other during bad times.

Humour aside, I have been asked to speak on "China-Malaysia Relations: Challenges and Opportunities in the 21st Century." However, before I start looking into the 21st century, I wish to recall for all of us here that in May this year, both China and Malaysia commemorated the 25th Anniversary of bilateral relations. A lot has changed for China and Malaysia during the period 1974-1999. A lot has changed for the region of East Asia.

I am reminded that my country was the first among ASEAN nations to establish diplomatic relations with China in 1974. Since then, China's relations with Malaysia and with ASEAN have been vastly different compared to the pre-1974 era. The bold step taken by our two countries paved the way for new directions for China-Southeast Asia ties for the last quarter of this century.

On our bilateral relations, I am pleased to say that both sides have maintained very good ties during that period. The many important trade and investment agreements reached helped propel our economic linkages forward. Although we have different political and social systems, we did not allow the differences to obstruct our relationship.

Instead, we focussed on what could bring us together for mutual benefit. Besides trade and investment, we moved into other areas in the last decade of the century. For example, the agreement on cooperation in science and technology of 13 July 1992 encouraged research and technological exchanges between the two countries. In the field of education, the memorandum of understanding of 20 June 1997 promoted academic exchanges.

Indeed a sure sign of closer relations between the two countries is that of people-to-people exchanges. Before this decade, very few Chinese visited Malaysia. However, by 1996, the figure totalled 135,743, and this grew to 158,679 the following year. And in the first two months of this year, Chinese arrivals increased by 137 per cent. From a few thousand at the beginning of this decade, the number of visa applications by Malaysians for visits to China increased to 205,000 in 1996 and 239,000 in 1997.

Improving Bilateral Relations

By 1996, our relationship had been elevated to that of 'partnership'. In that year, 250 Malaysians joined me and 450 Chinese



Malaysia's Prime Minister Dato Seri Dr Mahathir Mohamad is mobbed by a huge crowd gathering to receive him in Penang, Malaysia on 1 June 1999.

to participate in the Beijing Dialogue on The Malaysia-China Partnership. Indeed, the mutually beneficial ties have convinced both sides of the need and desirability to forge ahead for an even closer relationship into the new century. The joint statement between the Government of the People's Republic of China and the Government of Malaysia on the Framework for Future Bilateral Cooperation signed by both our Foreign Ministers on 31 May this year rightly calls for a "multi-directional relationship" in the years ahead.

As we continue to build and enhance our bilateral ties, I wish to take this opportunity to propose that our close relationship – our partnership – become more outward-looking so as to involve the region which continues to be better integrated year by year. Just as Malaysia and China took the bold step 25 years ago to change the situation between China and South-East Asia, I would like to propose that our partnership embark on a new era-setting endeavour for the region. The financial and economic crisis that struck our region during the last two years of the century has warned us clearly that there are

major challenges that China and Malaysia – and other regional countries – have to meet in the 21st century.

China's concern for the well-being of East Asia in financial crisis has been most laudable. The regional economies and the global community at large greatly appreciate China's decision – despite strong pressures – not to devalue the yuan. Beijing's cooperation and high sense of responsibility has spared the region from a much worse consequence. A renminbi devaluation would almost certainly result in a new round of currency devaluations by the affected countries.

However, while hard challenges exist, I very much prefer to view them as welcome opportunities to enhance our bilateral relations. In recognising the need for and acceptance of a positive and pro-active approach, we can secure further benefits for East Asia as well.

Economic Challenges And Opportunities

In the wake of the greatest crisis to hit the region after several decades of unprecedented growth and development, there is now a need for both China and Malaysia to work together

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"Once again, China's position during the crisis has been salutary. Its support for the crisis-hit regional economies has demonstrated the Chinese people's concern for China's neighbours. Your most notable contribution has been not to devalue your currency. You did not do so throughout last year."

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as well as with our neighbours to ensure solid economic recovery for East Asia. Apart from bilateral consultations on trade and investment, both sides could lead in proposals at the end-of-year Informal Heads of State and Government Summit of the ASEAN 10+3 (China, Japan and South Korea).

The unprecedented economic crisis has demonstrated the vital need for the setting up of a regional fund, so that the economies encountering critical financial problems can turn quickly for assistance to prevent rapid deterioration of their economies. For the medium term, therefore, China and Malaysia should examine how, together with our neighbours, we can realise the Asian Monetary Fund proposed by Japan. As you may recall, the original Japanese proposal was shot down by the United States and the International Monetary Fund (IMF).

A Concept Worthy Of Support

Most recently, Tokyo has revised the idea and Malaysia believes that it is a concept worthy of support. It would be good to solicit Chinese backing for the idea. Both Beijing and Kuala Lumpur could discuss the matter to see how we could – together with the other regional countries – encourage Japan, endowed with the largest financial resources, to realise the funding. Whatever areas that may require ironing out could be done, so that the East Asian economies facing crisis can resort to the fund for assistance.

A major lesson of the regional/global financial crisis is that the present global financial system is simply not adequate to protect small economies from the onslaught of hedge funds and currency traders. Since the currency crisis began in mid-1997, Malaysia has frequently appealed for international action to stop the destructive currency trade and to discourage short-term investment in the stock market. In the autumn of 1997, I spoke in Hong Kong of the need to regulate the activities of currency speculators to protect the developing countries in particular, but mine was then a voice in the wilderness. My views were regarded as ridiculous in a world moving rapidly towards ever greater globalisation, deregulation and liberalisation. It was said that any kind of regulation would stifle

foreign investment, thus bringing further damage to the developing economies.

Although China has not been spared the impact of the crisis, it nevertheless did not suffer the rapid depreciation of the yuan because of protection derived from non-tradeability in the international currency market. Yet the experience of China's neighbours has shown how hard-earned national wealth over the decades can be reduced devastatingly to a fraction because of attacks on the local currency by mainly Western traders.

While China was able to avoid such a catastrophe, Hong Kong, which only a year earlier had reverted to China, was not so fortunate. We have seen what happened to Hong Kong. Even the world-famous free market economy's currency and stock market were not spared such destructive attacks. The Special Administrative Region authorities had no choice but to intervene to save the economy. And how the government was condemned for doing so! It seems it is right for attackers to attack but defenders may not defend.

From Asia, the contagion spread to Russia, and, in the beginning of this year, to Brazil. Clearly, what was regional had become global. Malaysia has stopped urging the international community to undertake urgent measures to check the merciless profiteering by a small group of hedge fund and currency traders. World trade in goods and services creates wealth and incomes for millions of people throughout the world. But currency trading which is said to be 20 times bigger than world trade profits only a few thousand people. Worse still, it destroys wealth and impoverishes millions of people in the countries attacked. Clearly the present international financial system is inadequate to prevent destructive abuses and tragic consequences. Reforms must therefore be undertaken to ensure the international financial system will be good for everyone.

Once again, China's position during the crisis has been salutary. Its support for the crisis-hit regional economies has demonstrated the Chinese people's concern for China's neighbours. Your most notable contribution has been not to devalue your currency. You did not do so throughout last year. We believe

that you will not do so this year, although you have every reason and right to do so. The price that China has to pay to help East Asia is high, and we in Malaysia truly appreciate the stand you have taken.

Just as important, to avoid a recurrence of such devastation, China and Malaysia can cooperate for a stronger voice and to work with other East Asian countries to urge the developed nations for a concerted effort to create a new global financial architecture.

Malaysia is not under any delusion that the challenge can be readily met and overcome. The road to reform is long. It is winding and uphill. But clearly the opportunity is right before us. We must seize the moment and forge ahead. The benefits are clear, especially for the developing countries.

Formalise The East Asian Economic Caucus

The regional financial and economic turmoil of the past two years has, in my view, amply proven the necessity for an East Asian Economic Caucus (EAEC), a consultative body where East Asian countries can gather to deliberate on matters of regional concern. True, for the past few years, China – for that matter the region as a whole – did not hear much about the EAEC. To a large extent this was due to attention being drawn to the APEC processes as well as the World Trade Organisation (WTO). Understandably so. And even in the first year of the crisis, there was no mention of the EAEC. In fact, I would venture to say that the crisis-hit economies did not want to bring up the matter as most people feel that it will not please the IMF or the United States. It is not the time to displease such entities.

At the same time, however, I cannot help but feel that had there been an EAEC comprising the ASEAN countries plus China, Japan and South Korea meeting frequently to discuss issues pertinent to the region, the first recourse for Thailand, Indonesia and South Korea would not have been the IMF but the EAEC. The reason is that these economies are fully aware of the harsh conditions that the IMF would exact from them in return for financial assistance. Events of the past two years have proven so. While it is true that in such critical situations, the IMF and the United States cannot be

completely out of the picture, nevertheless, a group consisting of members from the region would better understand the problems and needs of the troubled economies, especially the imperative to avoid social disruption that would cause further and faster deterioration of the economy. **The IMF intervention in Indonesia is a classic case to be avoided at all costs by future economies in crisis.**

While the EAEC concept had been realised 'informally' as the ASEAN+3 in the formal Heads of State and Government Summit in the last three years, and in the Asia-Europe Meetings (ASEM), I personally feel that it is inadequate to meet the pressing needs of the region. In the last few months, the calls for closer cooperation among the East Asian countries are a distinct recognition of this fact. Most recently, no less a person than Japan's serving ambassador to South Korea, Kazuo Ogura, commented on the matter. In a most stimulating essay entitled "Creating A New Asia," Ambassador Ogura wrote:

The fact is that we have entered an age in which Asia must act in a unified way and in which Japan must shoulder a large part of the leadership needed to achieve that. One reason has to do with America's world dominance, the concentration of power in the hands of the United States. To make America's world leadership truly effective and thus easy for the world's nations to accept, it is essential for other international forces that can supplement the United States economically and politically to cooperate with it and support its leadership. At present only western Europe and Asia are economically and strategically capable of taking on this role.

It is necessary for a united Asia, along with western Europe to be prepared to check America so as to ensure that its leadership is free from self-righteousness and prejudice, and that it does not lapse into protectionism and a narrow egoism. America, for its part, should stop obstructing Asian countries' attempts to get together and exchange views among themselves.

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Moving The Process Forward

Malaysians also remember that **China was the first North-East Asian country to openly declare its support for the EAEC. Japan and South Korea have hesitated, I believe because of pressure from the United States.** But as

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"Reforms in the United Nations are long overdue. If the world body after the end of the Cold War is truly to become the central organisation for promoting world peace and stability as it should, it must change itself."

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indicated by Ambassador Ogura's observation, Japan has become more open and receptive to Malaysia's and ASEAN's proposal.

It might well be that prospective members of the East Asian forum would desire a change of name for the grouping. This should not be a problem. What is important is that we must move the process forward. I would like to take this opportunity to urge China to join Malaysia and other ASEAN countries to consult with Japan and South Korea so that the EAEC or any East Asian body with a different name can be 'formalised' and acknowledged as a regional grouping representing the interests of East Asian countries. There is no doubt that a legitimately recognised EAEC would allow for more consultations on issues vital to the region. With an EAEC, the region's interest can be better promoted in APEC, ASEM and the WTO.

Cooperation In Science And Technology

In identifying the challenges that our economies will encounter in the next century, high on the list is the necessity for cooperation in science and technology. As the cutting edge in global competitiveness, for advances in communications, medicine, energy resources and defence know-how, science and technology calls for a "smart partnership" between China and Malaysia for the 21st century. Both sides must maximise cooperation in this critical aspect of national and regional development.

East Asia's credibility and testimony as an engine of growth for the region, and the global economy in the 21st century, can best be attained if during that period the regional states can become as technologically advanced as the Western nations, or if they can substantially narrow the gap between the two regions. While in the present century, we have clearly been recipients and consumers of Western technology, in the next century, we must collectively determine to become contributors to global technological development.

The ASEAN 10+3 need to adopt a wholly new mindset of not only becoming strong industrialised nations in the 21st century, but also possessing strong scientific and technological attributes. This calls for the

overhauling of our respective educational systems. The biggest obstacle to becoming science and technology-strong nations is not in our stars, as Shakespeare would remind us, but in our thinking, in our mindsets. Change them and we will see great changes in scientific and technological advancement by East Asia in the next century. This is not Mission Impossible but Mission Possible.

Political And Security Challenges, Opportunities

Another important challenge and opportunity for Malaysia and China in the 21st century is the urgent need to work together with other regional states for the setting up of an Asian Media. This is due to the overwhelming dominance of Western media reporting on regional and global affairs throughout the present century. The major concern among East Asian nations has been the slanted and distorted reporting of global events to Asian audiences, and similar reporting of Asia to other parts of the world.

This has led to attempts by some Asian media circles to stem the tide by providing alternative sources of news reporting and dissemination. During the present decade, East Asian English-language newspaper editors have met twice in Kuala Lumpur to discuss the need for informing Asia about Asia by Asia. Although since 1995, the Bangkok-based *Asia Times* had sought to do just that, unfortunately it was short-lived. The newspaper folded two years later.

Highly commendable though these initiatives have been, Asia has still a long way to go before it can provide the media balance hoped for. While individual country efforts can be undertaken, owing to the necessary technology and capital, regional joint efforts would undoubtedly be far more effective. It would be most helpful if China and Malaysia can jointly lead in such a significant endeavour.

Need To Restructure The UN Security Council Vital

Reforms in the United Nations are long overdue. If the world body after the end of the Cold War is truly to become the central organisation for promoting world peace and stability as it should, it must change itself.

Unfortunately, with the exception of China and Russia in the United Nations Security Council (UNSC), for a body comprising other nations keen on championing democracy for developing countries, the UNSC's other permanent members have shown little interest in practising democracy in that body itself.

China and Malaysia share the common desire for an undominated United Nations to be the highest authority on matters affecting the international community. As Asia's only member in the UNSC, China together with Malaysia can work to promote reforms in the United Nations. Expanding the membership of the UNSC to reflect the interests of developing countries, in vastly new circumstances since the United Nations was established more than five decades ago, will help create a more equitable political world order. Recently, while concurrently serving as president of the United Nations General Assembly as well as chairman of the Working Group on Security Council Reform, Malaysia's Tan Sri Razali Ismail worked hard at advancing the reform process. It is time for China and Malaysia to jointly consider some bold initiatives for changing the United Nations.

Promoting The ASEAN Regional Forum

The ARF (ASEAN Regional Forum) should be promoted assiduously for ensuring lasting peace and stability for East Asia and the wider Asia-Pacific. While discouraging the formation of alliances in the region, both China and Malaysia are clearly very much in favour of promoting multilateral efforts for regional peace and security. The ARF promotes confidence-building and trust which are sorely needed, especially among the major-power members of the regional forum.

Some ARF members are critical of the forum for not moving faster in resolving regional security issues. From Malaysia's perspective, given the great diversity among the 21 members, the forum (which met just last month for the sixth time) should be credited with successfully providing a venue for member countries to voice their concerns on regional security. While it still has a long way to go in fulfilling its goals of promoting preventive diplomacy and formulating approaches to conflict resolution, ASEAN members of the forum strongly believe in

the efficacy of 'gradualism' for resolving contentious issues among members. Presuming certain countries would be our potential enemy and forming alliances against them is certainly not going to contribute towards lessening tension and ensuring peace for the future.

Building An East Asian Community Of Common Peace And Prosperity

Over the last three decades, the ASEAN Peace or Pax Aseana has successfully brought down the ideological barriers between two divided parts of South-East Asia, for the attainment of One South-East Asia (ASEAN 10), as the end of the 20th century approaches. This is a truly remarkable achievement for the sub-region, as for the first time in its long history, South-East Asia is united under one body and will enter the new century as a single entity.

China and Malaysia can also strive together to promote peace in East Asia as a whole, based on Pax Aseana. Along with the other regional countries, we can boldly begin to build an East Asian community, which can secure lasting peace for the region in the 21st century. In fact, the EAEC would be an ideal instrument for this purpose.

Malaysians still remember the inspiring words of President Jiang Zemin, when he participated in the Informal ASEAN+3 Summit at the end of 1997. Indeed, the desired East Asian community could be created based on the principles he set forth. President Jiang noted:

It has become the shared understanding of East Asian countries to maintain regional peace and stability. Develop the economy, science and technology, expand mutually beneficial cooperation, and promote common prosperity. East Asian countries are committed to the development of their relations on the basis of mutual respect, treating one another as equals and non-interference in one another's internal affairs, and properly addressing some existing differences through friendly consultations. With political stability, East Asian countries enjoy good relations among themselves. This has provided an important prerequisite for the sustained economic growth of East Asian countries and the development

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“Cooperative development of the Spratlys would not only be a spectacular achievement for East Asian regionalism, it would be a positive lesson for other regions with similar situations. Actually Malaysia and Thailand have already cooperated in this way because of overlapping claims.”

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of their economic cooperation.

It should be noted that President Jiang never mentioned any military alliance or cooperation against anyone, in the region or outside.

The Best Way Forward

Exactly a hundred years ago, the 19th century drew to a close and ushered in the dawn of the 20th. East Asia then had nothing to show to the world except that practically the whole region was under colonial rule. British administration, by the end of the century, was firmly established in Malaya. China at the same time saw the infamous imposition of spheres of influence, with the country carved up by the foreign powers possessing extra-territorial rights. Economic development then was mainly aimed at serving the needs of the colonial powers.

Now, 100 years later, as the 20th century also draws to a close and we are on the threshold of the 21st century, the situation has changed drastically. Having cast off the yoke of foreign dominance, China, Malaysia and their neighbours rose to achieve unprecedented economic growth and

development. But the very last years of this century have shown how vulnerable East Asia can be to external forces bent on exploiting our weaknesses.

Therefore, for mutually beneficial interests and those of the wider East Asia, both China and Malaysia must rise to these challenges for the 21st century. Viewed positively as golden opportunities and spurred on by the need to be pro-active at all times, both sides can seek the cooperation of the other regional countries. The successful meeting of these challenges will bring untold benefits for the citizens of Malaysia and China, and for those of other regional states as well. An East Asian community enjoying prosperity and at peace with itself in the new century is indeed a noble endeavour worthy of our cooperative efforts.

Inspired particularly by a quarter century of close relations, China and Malaysia can now embark on meeting the challenges of the next 25 years, and beyond. Assisted by our fellow East Asians, I am confident that many of you here today will agree with me that we can further elevate our region in the eyes of the world.

ASEAN Solidarity

Regional solidarity is now at full strength, following the inclusion of ASEAN's tenth and final member, Cambodia, in mid-1999. From here, ASEAN + 3 (with China, Japan and South Korea) would represent and unify the whole of East Asia.

Lim Kok Wing *Executive Editor*

The occasion was not only a milestone for ASEAN but an indicator of the grouping's health. Gathering in Singapore in July, all ten Foreign Ministers of the Association of South-East Asian Nations met for the first time as peers, and did so to discuss a variety of pressing issues. The event could go down in history as one of the most significant meetings for ASEAN, despite what some may say about its relative lack of fanfare.

At the time of this first coming together of the full family, rival claims to the Spratly Islands were almost at a peak. Four of the six disputing rivals are in ASEAN. There also seemed to be clear disagreements among ASEAN member states over whether the disputes should be presented at the ASEAN Regional Forum (ARF) meeting, held back-to-back with the ASEAN Foreign Ministers' Meeting (FMM).

Indonesia, for its part, was about to be reborn as traces of a new government coalesce after a historic election campaign. Meanwhile the United States was pushing for more items to be added to the ARF agenda, over which most ASEAN countries differed with Washington. The region as a whole was also moving to the end of a millennium, as the July FMM was just on the threshold of the 21st century.

Mark Of ASEAN's Achievement

Yet despite these difficulties, the Foreign Ministers' Meeting proceeded and concluded amicably. While this happy outcome may by now be taken for granted as the predictable character of ASEAN proceedings, it should not be discounted as inconsequential. Indeed, given the difficulties that led up to the time of the meeting, that the occasion drew to an agreeable close is yet another mark of ASEAN's achievement.

And thus with a complete line-up for the first time, all ten ASEAN Foreign Ministers gathered for their maiden meeting in Singapore. Symbolically it was a notable event, and the reality of yet another well-administered, frank and productive exchange proved the continuing strength of ASEAN solidarity. Nor was there an absence of important resolutions at the gathering: the South-East Asia Nuclear Weapons-Free Zone (SEANWFZ) proposal took another step closer to reality.

Long a proposal on the ASEAN table, it had been thought that while smaller countries in the region may agree to bar the presence, use and passage of nuclear weapons, the major nuclear powers would summarily disagree. That lack of full agreement by all states that ply South-East Asia's maritime routes, for example, had been cause for arguments that SEANWFZ would never work in practice. And that in turn had occasioned cynics to reject it as an impossible idea.

But as events turned out, SEANWFZ was



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