

China in a Shifting Asian and Global Order

Professor Ramesh Thakur*

The destiny of Asia will be shaped by China, India and Japan whose strategic footprint will cover the world. Cooperation between them will promote peace and prosperity in Asia. Rivalry and conflict will roil the world.

From 1000-1800 AD, Asia, Africa and Latin America accounted for 65-75 per cent of world population and income. Europe rode to global dominance through the industrial revolution, innovations in transport and communications, and the ideology and practice of colonialism, during which the developing countries suffered dramatic relative losses. From 1870 to 1950, Asia's per capita income plummeted from one-half to one-tenth of West European levels.¹ Asia has been bouncing back since in economic output, industrialisation and trade.

India's legitimacy is rooted in a political model of liberal democracy that is unique in human history in scale and poverty; China's economic success is without precedent in scale and pace; and Japan's combination of political democracy, wealth creation and per capita income is unique in Asia. China uses political control and the heavy hand of the state to forestall and suppress challenges and uprisings; India uses procrastination and indecisiveness to ride out and exhaust most insurgencies along with an occasional oppressive security presence; and Japan is largely free of such challenges.

India is the only one of the three to have been conquered and colonised by the West. It was also humiliated militarily by China. But China was attacked, invaded and humiliated by Japan as well as Western powers. China and India, nuclear armed billionaires, are the heartland of the world. Non-nuclear Japan was atom bombed. Not quite a spent economic powerhouse, it is the wealthiest of the three. But its economic future seemingly lies in the past; China is the most vibrantly growing today and an economic giant although most Chinese remain, for the present, largely poor; but its ageing population against India's growing working and consumer cohort favour India as tomorrow's economic success story.

The early 19th century saw the displacement of Asia by Britain as the dominant actor of the times; the early 20th century, of Britain by America. Is the early 21st century witnessing the beginning of the end of the USA and Western influence and the re-emergence of China and India?

China-USA

The demonstration of limits to the US and NATO power in Iraq and Afghanistan has left many less fearful of "superior" Western power. Abusive practices in the "war on terror" and the great financial collapse have made them less respectful of Western values. Their own resilience through the financial crisis has enhanced their self-confidence. Their future economic potential has already translated into present political weight. China has overtaken Germany as the world's top exporter of manufactured goods, having previously edged past the US as the world's biggest auto market by unit volume. It will account for the largest growth in foreseeable world trade and be a major player in setting energy, mineral and commodity prices.

The China-US relationship will be the pivot of the post-unipolar world order. Driven by strategic narcissism, the three trillion dollar wars in Iraq and Afghanistan have helped to bankrupt America and, by outsourcing manufacturing to China and services to India, enfeeble its capacity to produce enough goods and services to pay its bills. The US economy, once the biggest, best balanced and most productive and innovative, is saddled with debts, deficits and distortions. A dysfunctional political system neuters most efforts to address structural problems. If by the end of the decade the US is still the world's biggest borrower – ten-year economic forecasts lack credibility – will it still be the world's biggest power?

The US remains the finance and consumption capital of the world but the new production capital is China. Dependent no longer on the US markets, managerial know-how and technology, nor on the US power as a counterweight to a Soviet threat, China has exploited the US entrapment in Iraq and Afghanistan and a collapsing moral and financial reputation to expand its soft power reach and influence. Many countries are searching for an alternative model to the discredited Washington Consensus of the free-market, pro-trade and globalisation policies promoted by the financial holy trinity of the US Treasury, IMF and World Bank. Those looking for faster growth and greater stability are talking of a "Beijing Consensus": a one-party state, government-guided development, strictly controlled capital markets and an authoritarian decision-making process that can think strategically for the long term, make tough choices and long-term investments, and not be distracted by daily public polls.²

The frugal Chinese save furiously, a profligate America spends recklessly. When President Barack Obama visited China in November, the symbolism was of a supplicant nation paying tribute to its chief creditor to the tune of \$800 billion. Obama's refusal to grant an audience to the Dalai Lama before the trip reinforced the impression. Their White House meeting in February drew warnings from Beijing that it had seriously undermined bilateral trust and cooperation.

China is needed by the USA to finance its mounting debt, projected to hit \$9 trillion over the next decade. But America is just as vital to China's economic health. A collapse of the US economy would mean drastic cutbacks to sales

of 'Made-in China' products in the world's biggest consumer market and also erode the value of the \$2.4 trillion currency reserves held by Beijing.

For the first time in two hundred years the world has to cope with a united and powerful China. But so too does China have to come to terms with its new status: the Middle Kingdom has no historical, philosophical or literary tradition of diplomatic intercourse as a great power in a system of great powers. This will become especially relevant as China's footprint becomes increasingly global and its interests, presence and activities mushroom around the world.

Peace cannot be maintained without accommodating China; but will it be durable if based principally on a policy of appeasement? Treating China as an enemy would turn it into one. But should the US underwrite the rise of "a Leninist one-party state, that is America's only plausible geopolitical rival"?³ The Clinton and Bush administration policies had rested on the assumption that exposure to and experience with free trade in the information age would release and strengthen the forces of liberalisation and political change in China. What if the assumptions are dangerously false?

When Washington announced \$6 billion arms sales to Taiwan including missiles, helicopters and mine-hunting ships, Beijing retaliated by suspending bilateral military exchanges and imposing sanctions on companies selling arms to Taiwan. With more than 1300 Chinese missiles pointed at Taiwan, bolstering the latter's military preparedness may be a prudent hedge against actually having to defend it from attack.⁴ Should Beijing choose to go to war, this simultaneously raises the risks of failure and the costs of success.

There has been a flood of declinist commentary about the US by Chinese analysts since the financial crisis that began in the heartland of global capitalism but proved the resilience of China's economic miracle. "From the Copenhagen climate change conference to Internet freedom to China's border with India, China observers have noticed a tough tone emanating from its government, its representatives and influential analysts from its state-funded think tanks."⁵ Yet calculations of relative US decline are more likely to nudge Beijing towards exerting more leverage over the US international policy than confrontation with Washington. In particular, an assertive China will want to recalibrate the multilateral order on its terms that set aside questions of human rights and political values to focus instead on solving common problems. It will be more willing and able to shape the international environment and world order proactively rather than react passively to it.

International affairs are shaped by the interplay of power and ideas; and multilateralism is more than the pursuit of national interests by international means. Is China prepared to shed its anachronistic adage from Deng Xiaoping, "to keep a low profile and not take the lead"? Will it use growing wealth, power and influence for narrow mercantilism or the common good? How long can it question the dollar's status as the global reserve currency without loosening its iron grip on the RMB whose undervaluation "has become a significant drag on global economic recovery"?⁶ China's rise has been welcomed by many as a counterweight to the US military muscle and political arrogance and many look to it as the world's engine of growth. But if not careful, China could encounter a grating wall of resistance as countries, multinationals and NGOs begin to push back against heavy-handed assertiveness.

Google's threat to leave rather than become more complicit in internet censorship may be a harbinger of a changing international mood. Its fight with China is motivated more by commercial calculation than sentimental concerns about freedom of information. Many foreign firms have discovered that to move from China's massive potential to massive profits is not easy. Google has a one-third share of China's search engine market, accounting for five per cent of its global annual revenue.⁷ Its chief domestic competitor in China is Baidu with close ties to the government. In a true open market that permitted competition on a level playing field, Google could wrest a much larger market share from Baidu. The risk assessment of the strategy of standing up to Beijing may reflect this cost-benefit analysis.

China's implicit social contract is one in which the citizens acquiesce to political control in return for the government overseeing continuing prosperity that delivers the same goods and services to Chinese consumers as to Westerners. With communism totally discredited, the party-as-government lacks an alternative legitimising ideology to rapid economic growth. If this is put under threat by major multinational firms pulling out, the legitimacy loss for the Chinese government could be more momentous than the lost revenues for the firms. A group of American lawmakers has urged the Treasury to designate China as a "currency manipulator" and the US business community can no longer resist political pressure from Washington for a tougher stand against Beijing.⁸

China likes the growing acknowledgment of its major power status and is happy to take the benefits flowing from it but is less keen to stop being a free rider, exercise international public leadership and accept the burdens of being a great power. That mindset helps to explain currency manipulation to protect exports at the expense of other countries, unwillingness to commit to internationally verifiable cuts in emissions and courting of pariah authoritarian regimes to gain access to raw materials and resources. Unwilling to bind itself to agreed global norms, China could find itself in lonesome company with arms-length relationships of convenience rather than true friends as allies - of which America still has aplenty, including Australia, Canada, the EU, Israel and Japan.

South Asia

A clash between overgoverned China and undergoverned India is less unimaginable than between China and the USA.⁹ For Pakistan's ruling elite, the arch-rival is India. But India's arch-rival is China: a simple but critical distinction. Analysts need to switch their frame from the India-Pakistan-US subcontinental to the India-China-US strategic triangle. India's national security interests dovetail with major US security challenges, including preventing the domination of Asia by China.

China's muscle flexing has taken a toll on its international image. In a global public opinion survey of 30,000

people in 28 countries released by the BBC on April 18, images of the United States under President Barack Obama had recovered remarkably. Forty-six per cent view its influence positively and 34 per cent negatively. For China the respective figures are 41 per cent and 38 per cent. In the 15 countries in which the survey has been done annually since 2005, positive views of China have fallen from 49 percent to 34 per cent. India's view of China turned from a net six-point positive image last year to an eight-point net negative this year.¹⁰

Indian analysts, many still suffering from the "1962 syndrome,"¹¹ are as divided as Westerners on whether China's diplomatic belligerence is rooted in insecurity or swagger. Their 3,500km long border is volatile on both sides, running from India's insurgency-plagued northeast along Nepal and Tibet and on the edges of Xinjiang, home of the Uighurs. China, hyper-sensitive to "splittism" in relation to Taiwan, Tibet and Xinjiang, is curiously insensitive to the fact that Pakistan was created by splitting India.

China's unease at India's rising global clout intensified with the India-US nuclear deal and growing military ties with the US and Israel. The US was previously permissive of Chinese complicity in Pakistan's nuclearisation and of Pakistan nurturing terrorism as an instrument of state policy. Does it help Washington even in relations with Beijing to adopt a stance of neutrality on such issues as India's northeastern provinces? To concede Asia as China's sphere of influence? Does it advance nonproliferation to remain quiet on China's supply of designs and material to Pakistan which then found their way to Libya, Iran and North Korea?¹²

The US Quadrennial Defence Review expresses concerns over lack of transparency in China's military development and decision-making processes. It notes India's rapidly improving military capabilities through increased defence acquisitions that include long-range maritime surveillance, maritime interdiction and patrolling, air interdiction and strategic airlift. It acknowledges India's democratic values, an open political system, and commitment to global stability as demonstrated through peacekeeping, counter-piracy, humanitarian assistance and disaster relief efforts. It accordingly welcomes India's rising profile "as a net provider of security in the Indian Ocean and beyond."

East Asia

Is China like the US in 1890, about to inherit the century to follow, or Japan in 1980, on the cusp of a bursting bubble? ¹⁴ In some respects China's position today is weaker than Japan's in 1980: a wealthy, fully literate, homogenous, highly advanced industrial country with a stable political system. China is a middle income, populous, regionalised developing country with infrastructure challenges, a still suspect political system, and an unstable inverted population pyramid as the legacy of a one-child policy for half a century.

Japan lacked geopolitical autonomy whereas China is nobody's errand boy. But China is strategically encircled by South Korea, Taiwan, Australia, Vietnam, India, and Russia. Large numbers of American forces are based in Afghanistan, Central Asia, and Iraq; Israel is a solid US ally; and several Arab states are de facto US protectorates. This helps to explain the strategic basis of China's relationship with Iran, the only autonomous oil producer in the Middle East. A nuclear but independent Iran is in China's strategic interest compared to a non-nuclear Iran under US domination. Hence China's "delay-and-weaken" strategy with regard to UN sanctions on Iran.¹⁵ Even if it manages to raise domestic productivity significantly, China will remain reliant on securing and importing massive overseas resources and will therefore have to develop a significant naval capability to protect its shipping lanes and overseas resources. In the meantime, Beijing has used the West's absence to invest and trade in Iran free of Western competition; to consolidate its strategic leverage against a West that both China and Iran are suspicious of owing to past sanctions and interference in internal affairs.

Should Washington respond to rising China by bypassing Japan or reinvigorating the US-Japan alliance? For Tokyo, a healthy alliance with the US is insurance against a future China threat; good relations with China are a hedge against an unreliable US ally. Three possible scenarios may be postulated:

- (a) Sino-Japanese rivalry, with the USA as the balancer which deters China and restrains Japan;
- (b) Sino-US bipolarity, with China dominating the mainland, the USA controlling the seas and Japan playing second fiddle;
- (c) Sino-US rivalry, with Japan acting as the conciliator.

The most technologically advanced, richest and best educated country in Asia cannot be written out. History offers a caution against writing off Japan too hastily. It has shown superhuman ability to emerge triumphant from grave crises through mass mobilisation of the collective identity, at extraordinary personal and national cost and effort, in astonishingly short bursts of time. Japan will not remain content to be an ATM serving US global policy. If Asia turns to cooperation, Japanese money will be required to underwrite the institutional arrangements and agreed deliverables. If Asia turns to Sino-US confrontation and conflict, Japan will anchor any US forward strategy for East Asia. If Japan is ignored, if Washington attempts to use its relationship with China to shape the environment into which Japan fades quietly into the sunset, Tokyo can play spoiler-cum-saboteur for most regional initiatives and even embrace nuclear weapons.

