

# 27<sup>TH</sup> ASIA-PACIFIC ROUNDTABLE

3 - 5 June 2013 • KUALA LUMPUR, MALAYSIA



## STRATEGISING CHANGE IN ASIA

A stylized globe graphic composed of several curved, overlapping bands in shades of green and white, positioned to the right of the main title.

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**RESPONDING TO CHANGE IN ASIA**

by

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## **Responding to Change in Asia**

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Asia faces the 21st century with high hopes. The last decades of the old century saw a wave of economic growth, political evolution, social development and regional integration which is unprecedented in the region's, and perhaps in the world's, history. Asia's economic growth is driving the biggest and fastest increase in aggregate human material well-being the world has ever seen, and the accompanying achievements in domestic and regional political and social affairs give hope that it can be maintained and broadened over coming decades. This holds the promise that over this century Asia's billions will come to enjoy all that modern societies can offer their peoples. This is, after all, what the Asian Century is all about: the hope that all Asia's people can live more comfortable, stimulating, rewarding lives.

But there are risks to this glowing view of Asia's future. Can economic growth be sustained as economies mature? Can Asia's domestic political systems evolve effectively in response to new pressures and shifting expectations as economies grow? Can the environmental consequences of greater prosperity be managed? Above all, can Asia's political and strategic order preserve the peace and stability which has been and remains so necessary to the achievements of recent decades?

This last question is both momentous and urgent, because Asia's economic achievement is not just history's biggest and fastest increase in human well-being: it is also history's biggest and fastest shift in the distribution of wealth and power among states. Shifts of this kind have often in the past led to intense and destructive rivalry and conflict between established and rising powers. This does not mean that Asia inevitably faces the same fate, but it should warn us not to take Asia's peace and stability for granted. Indeed, it suggests that managing the evolution of Asia's strategic order to accommodate the complex shifts in wealth and power between the region's strongest states is among the most important tasks facing Asian leaders today. It may also be among the most urgent, because time is not on our side.

### **Looking Back**

The first step to understanding the challenge of building a new order in Asia is to look back at the order we have known in recent decades. These decades have been without doubt the most stable and peaceful in Asia's long history, and that has been the essential precondition for all the other achievements which have laid the foundations of the Asian Century. We have grown to take it for granted, and to assume that is the natural and inevitable result of the region's progress, rather than an essential cause of that progress. As a result we have not paid much attention to the real factors which have kept Asia so peaceful, though once we look they are not hard to see. What has made the past few decades different from the decades before has been the nature of relations between the region's major powers. For the first three quarters of the last century, strategic affairs in Asia were dominated and disrupted by rivalry and conflict between the region's great

powers - China, Japan and America. Soon after Japan's challenge to America and China collapsed in 1945, China emerged as a serious strategic rival to the US and its new Japanese client. This rivalry destabilised Asia for two decades until Nixon went to Beijing in 1972 and secured, in exchange for Washington's recognition of the Communist government, China's acceptance of US strategic primacy in Asia. For the first time since the collapse of the Chinese imperial tribute system, a single country emerged as the primary power in Asia, uncontested by any other great power.

Chinese and Japanese acceptance of US primacy has provided the essential foundation for Asia's peace and stability since the end of the Vietnam War, and for the structures and institutions that have evolved in Asia since then. For example, the emergence of ASEAN as a leading regional institution created and guided by the region's middle powers has only been possible because the great powers have refrained from the disruptive power politics involving small and middle powers which is so common when great powers compete. The risks to ASEAN from rising great-power rivalry have already become clear in Phnom Penh last year. The dependence of the whole network of regional institutions based on ASEAN on the underlying regional order provided by great-power consensus has important implications for the way we approach the management of challenges that arise from the breakdown of that order.

### **Big Changes**

The second step to understanding the challenges we face is to recognise the scale of the changes which are disrupting the Asian order as it has existed for the past forty years.

These changes have many dimensions, but right now the most important are those which affect the US-China relationship. We are all so familiar with the economic facts that we do not perhaps pause to consider how immense their strategic implications are. Those implications arise from the simple fact that wealth is the ultimate source of strategic power. China's economy is *already* far bigger relative to America's than any country's has been since the US emerged as a world power a century ago. That means it is *already* more formidable as a long-term strategic rival to the US than the Soviet Union ever was, because the Soviet economy was never more than about half as large as America's. Within a few years China's GDP [in PPP terms] will have overtaken America's to become the largest in the world, and although China's economy faces big risks and problems, it is quite likely to keep growing fast enough to become one and a half America's, or even double, by mid-century. None of this reflects any American decline: indeed there is no reason why it should not remain as vibrant and dynamic as always. It simply reflects China's achievement, and especially the impact of its huge population. Moreover, though China's military power still lags well behind America's, it already poses a major challenge to the power-projection capacity which has always been the military foundation of US strategic primacy in Asia.

These changes in relative power must drive major changes in the relationship between Asia's two strongest states, and hence in the regional strategic order. China no longer accepts US primacy as the foundation for the US-China relationship or the Asian order, and seeks a radical revision of the order to give it more power and influence. For a long time, and until quite recently, this obvious fact was concealed both by wishful thinking

that the congenial *status quo* should last indefinitely, and by the deliberate policy of Beijing to ‘bide its time and hide its power’. The question implied by Deng’s famous injunction to this effect, but left unanswered until recently, was ‘until when’? Now it seems clear that the answer was ‘until China is so strong that its challenge to the *status quo* is irresistible’. Beijing seems to have judged that this point was reached in 2009, thanks not just to the GFC in which China’s economic power was for the first time made manifest to Americans, but also to the cumulative corrosive effects on US power and confidence of the War on Terror and Washington’s fiscal predicament, as well as Barack Obama’s seemingly cool and detached approach to America’s role abroad.

The scale of China’s challenge to US primacy has also been concealed by a widely-shared assumption that its own prosperity, and the even the survival of the Communist Party, depended on the stability that has been underwritten by US power. Certainly they want stability in Asia, but it would be a big mistake to expect Beijing to share Washington’s assumption that US primacy as the only possible foundation for such stability. In Zhongnanhai they believe that Asia could be just as stable, and better-managed in their interests, under Chinese leadership.

### **Big Choices**

Of course nobody, even in Zhongnanhai, really knows what China wants or, perhaps more importantly, what it will settle for. There is little if any reason to fear that it seeks a harsh Stalinist hegemony over Asia, but no one should be surprised if it aspired to a softer version of regional leadership rather like that exercised by the US in recent

decades. The problem for China is that even a soft hegemony like this would most likely be resisted not just by America, but by Japan, India, Russia and increasingly weighty middle powers like Korea and Indonesia. China, for all its strength, will not be able to impose primacy on Asia against all this resistance. The question then becomes what lesser regional role will it accept instead? The answer is far from clear, but the best guess we can make is that China might be willing to settle for an equal role with other great powers in a collective regional leadership. We can at least be sure that it will not settle for less than this. Being treated as an equal great power by the region's other great powers is the absolute minimum China will be willing to settle for as a durable foundation for a new Asian order.

The question then is how far are the rest of us willing to accommodate China's ambitions? Are we willing to accord China an equal role as a great power in a shared regional leadership? All of us outside China have to make our own judgements about this, but the judgments that matter most are those made in Washington. Will Washington be willing to treat China as an equal? Many American policymakers and analysts claim they already do, but by that they mean they want China to carry a more equal part of the burden in upholding the US-led order in Asia. That is not what China has in mind. Treating China as an equal means dealing with China in a way that the US has never dealt with a foreign power before. And that makes sense because America has never dealt with a foreign power as strong as China before.

How then does the US respond? Ultimately it has only three options. Unless it is willing and able to reach some kind of accommodation with China about their respective roles, it must either embark on a strategic competition with China to impose its vision of the regional order against Chinese resistance, or it must step back from Asia and leave it to the Asians to sort out. US withdrawal from Asia is not as unlikely as many people assume, especially when we look ahead a decade or two, because both competition and accommodation are very difficult and demanding for the US. Not surprisingly, however, America's first instinct when it perceived the scale of China's challenge after 2009 was to push back. President Obama's 'pivot' was in essence a declaration that America intended to preserve US primacy as the foundation of the Asian order using all the elements of US power. The perceptible stepping back from the pivot in Obama's second term reflects the realisation in Washington that China will not back down in the face of American determination, but is willing to step up to the competition as it has shown over Scarborough Shoals and the Senkakus. Slowly the consequences of taking China on as a strategic rival are becoming clearer. It is not yet clear which of the alternatives America will choose.

### **Big Tasks**

It is however very clear which option the rest of us in Asia should hope America will choose. None of us want to live under China's shadow, and we all see that a strong US role in Asia is the best way to avoid that. But all of us value our relationships with China, and many see that China does deserve a larger role in regional affairs as its power grows. Certainly none of us want to have to make the kind of stark choices between the



US and China which escalating strategic rivalry would force on us. And we all fear the potentially catastrophic consequences of the kind of major regional war to which such rivalry could so easily lead. So we all want the US to stay engaged in Asia, playing a major strategic role here, but to do so in a way that China is willing to accept. And that almost certainly means being willing to deal with China on terms that China sees as those of equality – if indeed China is willing to settle for that. If not, of course, we must resign ourselves to a dark future of rivalry and danger. To avoid that, we must do whatever we can to encourage both Washington and Beijing to move towards the kind of accommodation that would see each accept an equal role with the other – and perhaps also with Asia's other great powers.

Many will be inclined to assume that Washington and Beijing will inevitably move towards such an accommodation of their own accord, because it is so obviously in each country's interests to do so. But this is too optimistic, ignoring the clear drift towards rivalry in recent years, and the danger that such trends once they set in become harder and harder to reverse. It also ignores the risk that at any time a relatively minor issue could plunge them into a conflict which might dash hopes of accommodation entirely.

Equally, many will be inclined to assume that such an accommodation is impossible, because the two countries have such widely differing systems and values. This is too pessimistic: there are signs in both countries that leaders understand the need for a new approach to their relationship, and that the outcome might look different from anything that either country has seen before. And we can only hope that leaders in both capitals

will recognise how catastrophic escalating strategic rivalry would be for their country as well as for the region as a whole.

The kind of US-China relationship which is essential to the future peace and stability of Asia is neither impossible nor inevitable. It can be built, but the difficulties are immense and time is short. The most urgent and important task for Asian diplomacy today is to find ways to help bring it about. Our hopes for the Asian Century depend on it.

Tanja, NSW

19 May 2013