

The inexorable rise of China



Chinese banknotes are seen in a vendor's cash at a market in Beijing, in this Feb 14, 2014 file picture. Later this year the IMF might include the Chinese Yuan in its official basket of reserve currencies, a political and economic triumph for Beijing in the teeth of US opposition. Reuters pic



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HARD ECONOMIC REALITIES: *China's growing importance will rest not on guns and bombs but rather on bucks - or the Yuan*

THE world has changed so much over the past two decades that historians are having a tough time keeping up with these changes and recording them for posterity.

It is interesting to note that if one were to walk into any library today, and look at the works that were written about Asian politics and economics in the 1990s, many of them have already become dated and irrelevant.

The most evident quirk is the relative silence on the future role of China, and how China may evolve in the decades to come. Up to the 1990s, notwithstanding the alarmist rhetoric of the likes of Samuel Huntington who forecast a "clash of civilisations" between East and West, there were few analysts who predicted the meteoric rise of China as a major economic power in Asia, as it has now become. Few even considered the likelihood of China becoming the No.1 trading partner of many of the economies of Southeast Asia as it is today.

Yet the fact is that the Asian Century, as it has been so-called, is almost upon us, and China seems poised to play the leading role in that process. Just what this future Asian world is going to look like is some-thing that can only be speculated about but its hazy contours can already be seen.

If China is to grow in terms of its power and clout, that power will be seen and measured in terms of its economic standing. As Daniel McDowell has recently noted in his article on China's role in the emerging global economic system (April 14, 2015), since 2008 China has signed 30 currency-swapping agreements with 30 other foreign central banks, and by doing so it has managed to internationalise the Yuan and raise its status as a global currency. For some parts of Southeast Asia this has already become a lived reality in daily situations, such as along the China-Laos border where the Yuan is regularly used for commerce and in payments for services rendered.

As McDowell points out, at present a quarter of the trade with China is already being done with the Yuan, and this ratio may rise up to 50 per cent by 2020. Through instruments such as the Asian Infrastructure Investment Bank (AIIB) China's presence in Southeast Asia and beyond will be tangible.

This may set alarm bells ringing for some, for whom the prospect of an Asia economically dominated by China will seem daunting and perhaps even threatening. Yet here lies the hubris that needs to be avoided at all costs.

In the 1990s there was much talk some of it bordering on the hysterical - of an inevitable conflict between the East and the West, and invariably it was China - and obviously not South Korea or Japan or Taiwan - that was being cast in the role of the bogeyman.

A throwback of the Cold War, some of the talk on China then was still shaped by earlier understandings of China as a communist state bent on exporting revolutionary communism across the globe and to its Asian neighbours in particular.

Yet while much time and energy was invested into all kinds of alarmist doomsday scenarios which only framed East-West relations in terms of an oppositional dialectics, seasoned China-watchers were already writing about the radical changes that were taking place in that country, particularly in areas such as education and economic reform.

Ostensibly still an officially Communist state; China underwent a process of market-driven development where an economy that was capitalist in all but name only was allowed to grow.

The danger of the dialectical logic of the likes of Huntington in the past is that it continued to frame both components of that dialectic in fixed, stable terms; with the assumption that a country once deemed a communist threat would always remain a communist threat - despite the fact that all societies are hybrid and complex, and dynamic when it comes to their development.

The corresponding element of this simplistic dialectic was the notion that the Western world was and will always be the sole bastion and defender of political and economic freedom, and thus had the right to take a higher moral standing in relation to the rest of the world.

This was another instance of hubris which also led America and its allies into a series of costly adventures in countries like Afghanistan and Iraq; blunders which have now spawned out of control and created a zone of crisis that extends from Libya to Syria and all the way to Afghanistan. (At the same time it is important to note that China had rarely attempted such military ventures of equal ambition and magnitude, and thus never had to face the political fallout that ensued.)

Contrary to the claims of the likes of Huntington, the relative decline of American power had nothing to do with a "civilisational war" against other civilisations, but was partly the result of its own unfettered adventurism that now carries a heavy political and economic cost. By contrast, China's reluctance to engage in such interventionist policies, backed up by military force, also means that its presence in the rest of Asia - as well as Africa and the Arab world - carries less political baggage.

It is with that as the backdrop that we are now witnesses to the inexorable rise of China as the future dominant economy of Asia, with its investments, trade and aid being channelled into many of the growing economies of neighbouring states. From a purely realist point of view - and China's politicians and technocrats are among the most Realist there are - China's growing importance will rest not on guns and bombs, but rather on bucks or the Yuan, to be exact. Western adventurism in Central Asia and the Middle-East has not secured the safety and security of those countries, or even the safety of the Western countries that intervened in the first place.

And if the day will come when the leading powers of the West find themselves abandoned by their non-Western allies, and see their own economic standing brought down a peg or two, part of the blame for that decline has to lie with the narrative they fed themselves, which was perhaps cut off from the hard economic realities of a world where money talks.

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