



**S. RAJARATNAM SCHOOL
OF INTERNATIONAL STUDIES**
A Graduate School of Nanyang Technological University

RSIS COMMENTARIES

RSIS Commentaries are intended to provide timely and, where appropriate, policy relevant background and analysis of contemporary developments. The views of the authors are their own and do not represent the official position of the S.Rajaratnam School of International Studies, NTU. These commentaries may be reproduced electronically or in print with prior permission from RSIS. Due recognition must be given to the author or authors and RSIS. Please email: RSISPublication@ntu.edu.sg or call (+65) 6790 6982 to speak to the Editor RSIS Commentaries, Yang Razali Kassim.

No. 120/2013 dated 1 July 2013

As Asia Rises, New Challenges Emerge

By Barry Desker

Synopsis

The rise of Asia could lull Asians into a bout of triumphalism. The coming Asian Century will not be a bed of roses as new challenges are emerging even as the region makes its presence felt in a changing global order.

Commentary

A MAJOR weakness in many analyses of global trends is the tendency to assume that developments in societies we are familiar with will be replicated elsewhere. We tend to be optimistic and focus on the good news in reaching conclusions about the fate of other societies. Living in Singapore, we get caught up in the hype on the rise of Asia and the shift in power from West to East. What is forgotten is that Asia's rise has occurred in an era of peace and relative political stability.

If Asia heads towards a period of conflict and uncertainty, with rising tensions in the South China Sea and East China Sea or the threat of nuclear conflict in East Asia, resources will be diverted to strengthening defence capabilities and foreign and local investors will be deterred. Progress towards expanding regional economic and political cooperation is likely to slow. Given such concerns over the fragility of states in the region, a lattice framework of inter-connected regional arrangements and bilateral agreements has been forged to minimise the risks of conflict while increasing the web of shared interests.

Asian Century?

At the same time, the envy factor as a source of social discontent should not be dismissed. The pace of growth within countries is not even. China's growth has primarily occurred in the coastal regions which have benefited from export-oriented policies, the establishment of special economic zones and massive foreign and domestic investment; inland provinces, however, have lagged behind resulting in migrant labour from these areas seeking economic opportunities in the booming coastal cities.

In conflict zones like Afghanistan, Myanmar and Nepal, the gap between the wealthy and the poor has widened enormously. Internal conflict, armed resistance and political violence result in a cycle of despair. Earnings are salted away overseas, corruption and diversion of state assets to private hands undermines trust in civil authority and foreign and domestic investors take a short-term view. Even societies like Singapore and Hong Kong are characterised by widening income inequalities. Growing social inequalities in such rapidly changing societies highlight the risk of domestic upheaval.

These vulnerabilities should make us pause before we proclaim an Asian Century. Unless there is an outbreak

of a major war involving the great powers or another great depression sapping American energy, the proponents of the imminent decline of the United States will not have their dreams realised. Despite China surpassing it economically over the course of the next decade, the US will continue to be the strongest military power. The soft power of America and the West is also under-estimated. The use of the English language is increasing, whether in commerce or international politics. Even regional organisations like ASEAN conduct all their business in English.

Western fashions, music and even sports are drawing a mass global audience. The keen attention paid to English Premier League football matches and American basketball games testifies to the influence wielded by global television audiences. While Asian television channels seek a global audience and Al-Jazeera and China's CCTV have made inroads, they do not have the viewership that CNN, BBC and even parochial networks like FOX can command.

West's resistance

Although Asian hard power is increasing, especially on economic issues, the West is subtly able to shape global agendas. The governance of international institutions continues to be dominated by the West. Asia's rising power will only slowly be felt in the United Nations Security Council, the International Monetary Fund, the World Bank and the World Trade Organisation. There will be little progress on restructuring the UN Security Council to include Japan and India as permanent members as there is a deadlock among UN members. The West does not carry all the blame as China has been keen on preventing an expansion of the Council.

On the economic front, the current negotiations for a Trans-Pacific Partnership, for example, reflect an American interest in ensuring open markets in areas suited to the US such as investments, competition policy, labour standards, government procurement and intellectual property rights. At the same time, the US blocks progress on issues such as unrestricted access for textiles and clothing - an area of interest to Vietnam - and an end to American agricultural subsidies. While Japan has stated that it is interested in joining the negotiations and China has made positive noises in recent weeks, it is unlikely that they will participate unless the package is re-opened and their interests accommodated as well.

The post-Second World War arrangement of the US always providing the head of the World Bank and a European heading the IMF continues, despite increasing opposition from developing countries. Rising powers such as China, India and Brazil have voting rights in the IMF based on the quota system which is considerably below their contribution to the global economy. Members of the European Union have been reluctant to agree to a reduction in their voting rights to accommodate these rising powers.

Over the next decade, the regional environment will become more fluid in Asia. Demographic trends will pose a challenge. In South Asia, continued high population growth will result in a young population, a contrast to China where the one child policy will lead to a rapidly aging population. Continued tensions in India, Pakistan and Afghanistan increase the sense of regional insecurity, support high military expenditures and highlight the risks of conflict within the sub-continent. A youthful population could increase pressures for more muscular security policies in the region.

Contrasting China

The contrast is true of China. Although China's size and self-image as a rising global power is likely to lead to a more assertive foreign policy, demographic pressures will force a shift towards more cautious security policies. As China ages, there will be a fall in the number of youth entering the work force and available for deployment in the armed forces. But while policymakers in China are aware of this trend, policy changes lag. Even if there is a policy shift favouring larger families, it will be difficult to change mind sets, especially of females who have been freed from routine domestic duties.

Since Deng Xiaoping's reforms in the 1980s, China is fast emerging as a middle income economy. However, as China moves up the industrial production value chain, the challenge will be to innovate, to promote the development of new and improved applications of existing technologies and to take the lead in emerging technologies such as stem cell research, nanotechnology and clean technologies. A short cut would be to acquire leading edge technology companies in the West, especially as the current economic crisis starves them of funds. This will lead to more cases of national security laws being invoked to prevent the acquisition of national champions and hi-tech companies by Chinese companies prowling for acquisitions, especially in the US.

Be wary of premature triumphalism

With the diversity of challenges facing Asia over the next decade, gauging the likely outcome of current

developments becomes more difficult. While few would question that Asian powers are once again exerting an important influence on the global stage, those of us who live in the region should be wary of triumphalist voices with a very short term memory. Not only will there be resistance by the West to a power transition as Asian states increase their political, economic and military capacity but weaker Asian states will also be more wary about the growing power and influence of the emerging regional hegemons.

China's neighbours will be pulled in two directions: increasingly oriented towards China economically but moving closer to the US and to one another as security partners. Similarly, the rise of India will see deeper Indian economic integration with the sub-continent even as India's neighbours attempt to balance against India and increase their political and security relationships with other smaller states on India's periphery.

Barry Desker is Dean of the S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University. A version of this commentary appeared earlier in The Straits Times.