

HOW DO ASIANS SEE THEIR FUTURE?

edited by
François Godement



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Asia's future and the issue of leadership

Is Asia set to replace the old industrialised powers of Europe and the United States as the prime mover of the world economy? Or will bitter conflicts about its new hierarchical order result in a conflagration?

A Chinese Asia?

Given the economic momentum throughout the region, a future that sees Asia emerging as the world's powerhouse seems very plausible. This option seems to be acquiring a Chinese spokesman. In the 1990s, the American-inspired phraseology of the Asia-Pacific Economic Cooperation Forum (APEC), with its “win-win” formula and talk of the coming “Asian century”, was prevalent – until the Asian financial crisis struck in 1997. Almost two decades later, China's President Xi Jinping has picked up the mantle: he speaks of “win-win cooperation”, “shared interests”, “a neighbourhood policy featuring amity, sincerity, mutual benefit, and inclusiveness” and, most recently, a “community of common destiny”.¹ But now, the environment in the region is very different: Xi talks about cooperation in the context of the “Chinese dream” and of “a new model of major-country relations”, within a “contest over the international order”.²

The order that has prevailed in Asia since 1945 can be said to be US-centric, with an emphasis on the provision of security. The opening of the US market – and later, the unified European market – played a huge part in the development

¹ Xi Jinping, “Full text of Chinese President's speech at Boao Forum for Asia”, *Xinhuanet*, 28 March 2015, available at http://news.xinhuanet.com/english/bilingual/2015-03/30/c_134108646.htm (hereafter, Xi, “Boao Forum”).

² See quotes from Xi Jinping's address to the Central Foreign Affairs Meeting, Beijing, 28–29 November 2014, in “Xi eyes more enabling int'l environment for China's peaceful development”, *Xinhuanet*, 30 November 2014, available at http://news.xinhuanet.com/english/china/2014-11/30/c_133822694_2.htm.

of most Asian economies, and any quarantine of opposing regimes stunts their chances for growth. Still, bilateral relations and a “hub-and-spoke” security design more accurately characterised the American approach to Asia than multilateralism. The Association of Southeast Asian Nations (ASEAN), the ASEAN Regional Forum, APEC, and the East Asia Summit were all conceived and developed within Asia, and the US has adapted to the ensuing realities. It is in the area of trade that the US has taken its widest regional initiatives, first within the framework of APEC, and later in the form of the proposed Trans-Pacific Partnership.

In turn, the order that China sees for the future of Asia is unmistakably Sino-centric, however benevolent China’s exercise of power may seem. The future prosperity of Asia is tied to its relationship with China and to China’s actions in the region: “close neighbours are better than distant relatives”, in Xi’s own words.³ However, even though bilateralism dominates China’s practice in its foreign policy, Beijing has since November 2013 increasingly shifted towards a sort of multilateralism among neighbours: as Xi said at the Boao Forum on 28 March 2015, “Asian countries have gradually transcended their differences in ideology and social system. No longer cut off from each other, they are now open and inclusive.”⁴ This statement may seem very optimistic; it may even seem to fly in the face of actual Chinese government practice, as evidenced by Beijing’s control of political opinions and social media. Even so, it signals a change of approach in Chinese diplomacy in Asia, after several years of growing tension.

Until recently, China’s use of what has sometimes been mislabelled its “soft power” in actual fact involved exploiting the economic interdependence it has built with other Asian countries, through making itself the processing centre for investments, companies, and technologies from more advanced Asian economies, and through increasing its investment, lending, aid, and import capacity for less advanced Asian economies. Most of this effort to exploit its economic leverage over its Asian neighbours failed because of the other strand of China’s policy towards its neighbours: its assertive, even aggressive and revisionist stand on territorial issues, alongside an increasing propensity to “red-line”, that is, to test and erode the will of regional partners through

³ “China ready to sign friendship treaties with all neighbours: Xi”, *Hindustan Times*, 28 March 2015, available at <http://www.hindustantimes.com/world-news/china-friendship-treaties-xi-jinping/article1-1331438.aspx>.

⁴ Xi, “Boao Forum”.

well-calibrated incidents and confrontations. Because of this second strand, the reaction of China's neighbours involved strategic hedging as much as economic engagement.

What we have been witnessing since the end of 2013 is a course correction in China's policy towards its neighbours. It is by no means a complete policy reversal or an abandonment of China's territorial claims in the region. But the level of reported incidents has declined and crisis management mechanisms, adopted with the US in November 2014 and now being discussed with Japan, serve to lessen the risk of accidental clashes. Talks with Vietnam have resumed, after hostility reached its peak following the appearance of a Chinese offshore oil rig in contested waters in the spring of 2014.

Alongside its new hints of bypassing or superseding conflict, China has seized the initiative in two areas: economic diplomacy and the high ground of history. Both have implications that go beyond East Asia, but both are primarily directed at China's Asian neighbours. Of course, China's push for new regional economic institutions and frameworks is nothing new: China has already made headway in this area by means of, for example, the Shanghai Cooperation Organization's trade and assistance baskets, the China-ASEAN Free Trade Area, and the so-called BRICS bank (the BRICS being Brazil, Russia, India, China, and South Africa).

However, since 2013, two initiatives have been reshaping the field. One is the series of as yet not fully outlined but still enormous projects that make up China's "Silk Road Initiative", now dubbed "One Belt, One Road". The very vagueness of the proposal (most detail was given in 2014 by a broad brush map published by Chinese news agency *Xinhua*) has encouraged speculation to rise to unprecedented levels. From Vietnam to Indonesia, India, and Kenya, from Kazakhstan to Iran, Turkey, and all the way to the Netherlands, Greece, and Italy, everyone has had cause to wonder what is in store. Russia, which was earlier concerned about a major Trans-Siberian rail and pipeline project as well as about China's involvement in the Northern Passage, may feel sidelined. China's huge glut in the construction, infrastructure, and especially railway sectors has suddenly found an outlet abroad, with China's huge currency reserves and current account surpluses ensuring that the country can accept longer-term risks and lower profitability than any other investor. Needless to say, much of the planning for the projects seems to be being undertaken in a bilateral fashion, which gives China great leverage over its individual partners.

Above all these developments sits another Chinese creation: the Asian Infrastructure Investment Bank (AIIB). Its rules of operation are as yet unspecified, but its headquarters will be in Beijing. China has pledged half of the initial capital, \$50 billion – a share that dwarfs its ownership in any other international financial institution as well as its stake in the Chiang Mai Initiative Multilateralisation (CMIM), in which Japan matches the investment of Greater China. Regional participants mostly hesitated on signing up to the initiative, but now, the United Kingdom, closely followed by France, Germany, and Italy, has launched a stampede to join. Korea, Australia, Russia, and Taiwan are among at least 50 countries that are following suit at the time of writing.

China's share in capitalising the AIIB, however, is not greater than the investment that it has made in recent bilateral initiatives with some of its partners (for instance, Pakistan and Russia). And it represents only a small percentage of future Chinese investment in Asia's infrastructure. However, with the AIIB proposal, China has succeeded in splitting the Western front of existing Bretton-Woods institutions – without even showing its hand on how the bank will operate. The result is a strange policy reversal. The emerging economies – the so-called BRICS or BASICS (Brazil, South Africa, India, and China) – had already formed coalitions, but up until now, they mostly only had the capacity to say no to the established powers of the West. The main stakeholders of the Bretton-Woods institutions found it reassuring that the BRICS coalition put forward few positive proposals. Whatever the grumblings of emerging economies about their underrepresentation in global institutions, few rules have been effectively amended. Even if Europe was ready to sacrifice, for example, some of its share of the International Monetary Fund, Washington held onto its veto power.

Now, through its new neighbourhood diplomacy, China has been able to make an offer to which the members of the West, in visible disarray, can only say yes. Aside from the straightforward public relations victory for China, another consequence is emerging. Even after years of unpredictable but well designed confrontation with its neighbours and with the US, a charm offensive from China, especially one backed by large financial means, still has an appeal to many potential partners. With Russia tied in as a junior coalition partner after the Crimea and Ukraine conflict in 2014, Xi Jinping's turnaround in Asia and his increased emphasis on partnerships in the region is achieving results.

It is more debatable whether better management of the “history issue”, which will reach a climax in 2015 with a number of seventieth anniversaries, will also bear fruit for Chinese diplomacy. A key objective of the battle over history is to isolate Japan, which is singled out for its alleged revisionism or neo-militarism. Reviving the anti-fascist coalition of World War II has its limits, especially at a time when Vladimir Putin’s Russia is upsetting the post-war legal order, and when the most dedicated observer of these anniversaries is Kim Jong-un, the hereditary ruler of North Korea. But there is little doubt that China will try nonetheless to revive the old allegiances in 2015, in a bid to outsmart Japanese public diplomacy. The year is dotted with anniversary dates – from Tokyo’s firebombing on 10 March to the Marco Polo Bridge incident on 7 July, the Hiroshima and Nagasaki bombings on 6 and 9 August, Japan’s surrender on 2 September, and Pearl Harbour on 7 December. Japanese Prime Minister Shinzo Abe’s abstention from visits to the Yasukuni shrine, which honours the military casualties of all Japanese wars, will not be enough to answer the Chinese challenge. As much as Japan wants to focus on the future, China will bring the past to life in its own public diplomacy – for example, in the military parade planned for 3 September.

Europe’s past as Asia’s future

Thus, China’s goals seem to go far beyond the Chinese dream of prosperity with Asia. So does the continuing increase in China’s military budget. At the spring session of the National People’s Congress in 2015, the government announced an increase of 10.1 percent in the military budget – which is extremely significant, in light of the fact that the country’s projected GDP growth is only 7.4 percent, and that price inflation has fallen to negligible or negative levels. This is the other trend in China’s strategy: an ongoing military rise that is putting the People’s Liberation Army ahead of any other military force from the region and setting it on course for a contest for superiority with the US.

As the regional arms race gathers pace and the post-war order is increasingly contested, it should come as no surprise that the second option for Asia’s future is that of a major conflict. Much of what has passed for stability in the Asia-Pacific region since 1945 is actually the result of a balance of power rather than the product of legal treaties. Peace has come from burying conflicts rather than solving them. What was once seen as a fixed order could, therefore, prove to be a transitory situation, one that could be challenged and potentially overturned by the emergence of a new power balance.⁵

Shinzo Abe gave a voice to this fear in 2014, when he spoke of Asia as a “growth centre for the world”, but warned that “the dividend of growth must not be wasted in military expansion” and pointed to the danger that China and Japan could repeat the experience of Germany and Britain in 1914.⁶ His warning was seen by some as overblown, in part because a strategic contest in the Asia-Pacific would pit China against the US, not against Japan, and the superiority of American military might is still evident to all. Just as importantly, China’s behaviour and statements are still ambiguous, suggesting that it would prefer to avoid a major test of its hard power.

Yet China’s ambiguity is to some extent matched by US ambiguity, as manifested in America’s refusal to take sides over territorial issues. For example, at a joint press conference with Shinzo Abe in April 2014, President Barack Obama affirmed that “a consistent part of the alliance is that the treaty covers all territories administered by Japan” – but, he added, “there’s no ‘red line’ that’s been drawn”.⁷ The support of the Obama administration is sought on all fronts from East Asia to Eastern Europe via the Middle East, North Africa, and South Asia. In Asia, the US has visibly strengthened its ties to India – Obama’s presence in New Delhi at the Republic Day parade of January 2015 was indicative of the new strategic partnership. But at the same time, Washington is trying to conserve its firepower and does not want to be entrapped in regional conflicts. This has led to doubts among its allies, and, as a result, to their adoption of mitigating strategies.

The clearest consequence is the increasing pace of the regional arms race in Asia. In the decade ending in 2013, military spending increased by 74 percent in East Asia, while in Western and Central Europe, it declined by 6.5 percent.⁸ The only East Asian country that bucked the trend, Japan, is in 2015 increasing its defence spending for the second year in a row. Meanwhile, India’s defence expenditures are set to rise by 11 percent in 2015. Asia as a whole is the top arms importing region in the world, and India is the top importing country in the world (China does a lot more of its military procurement at home).

⁵ See François Godement, “China on Asia’s Mind”, European Council on Foreign Relations, 18 September 2014, available at http://www.ecfr.eu/publications/summary/china_on_asias_mind318.

⁶ “A New Vision from a New Japan”, Speech by Shinzo Abe at the World Economic Forum 2014 Annual Meeting, Davos, 22 January 2014, available at http://japan.kantei.go.jp/96_abe/statement/201401/22speech_e.html.

⁷ “Joint Press Conference with President Obama and Prime Minister Abe of Japan”, Office of the Press Secretary, The White House, 24 April 2014, available at <http://www.whitehouse.gov/the-press-office/2014/04/24/joint-press-conference-president-obama-and-prime-minister-abe-japan>.

⁸ Sam Perlo-Freeman and Carina Solmirano, “Trends in World Military Expenditure, 2013”, Stockholm International Peace Research Institute, April 2014, available at <http://books.sipri.org/files/FS/SIPRIFS1404.pdf>.

The debate about China's intentions continues. Xi Jinping now speaks of building a "community" in Asia, but it is noteworthy that China rejected all Japanese overtures under the previous Democratic Party of Justice (DPJ) governments, including those of the ill-fated government of Yukio Hatoyama (2009-2010), which had proclaimed the goal of building an Asian "community". One of the messages said to have been given by Japan's prime minister, from 2001 to 2006, Junichiro Koizumi, to the incoming Shinzo Abe, was that the restraint on history issues by DPJ governments had not paid off, and had been seen by China as weakness.

Thus, Asia's future is directly linked to the question of leadership. Individual leaders are exercising a huge influence throughout Asia, and top-down decisions have large consequences, contrary to all our expectations of a globalised and market-driven world.

Possible paths of development

In this changing environment, and following on from our earlier essay collection highlighting views from China, we asked some of the most highly regarded Asian public intellectuals to express their views on the issues that have the potential to unite or divide Asia.⁹

On history, Hahm Chaibong, an influential think tank leader in Seoul, describes how South Korea and China have skirted but avoided historical pitfalls in their relationship. Tsuneo Watanabe, a prominent analyst of security issues in Japan, explains that China has tended to use the "history card" rationally as a political weapon, while Japanese politicians have sometimes let themselves be moved by emotion.

Akio Takahara, one of Japan's foremost experts on China, sees the concept of what he calls a "Pax Sinica" as forming an extension of the Chinese regime's ideology and legitimacy, at odds with the notion of democratic peace: a clear contemporary case of "der Primat der Innenpolitik", the primacy of domestic politics. Raja Mohan, the premier Indian strategist, emphasises the rise of

⁹ For our earlier collection, see Mark Leonard (ed.) *China 3.0*, with an afterword by François Godement and Jonas Parello-Plesner, European Council on Foreign Relations, 8 November 2012, available at http://www.ecfr.eu/publications/summary/china_3.0.

democracy in Asia – but he contrasts this development with the West’s own past record in the region, and with the requirements of maintaining the balance of power.

Chung-in Moon, a former adviser to the South Korean president on Northeast Asia, stresses the difficulty for Asia of fostering unity from within. He suggests that strategic cooperation between China and the US, with support from middle powers, is the most desirable option. Keio University political science professor Yoshihide Soeya has moved from taking a long-term view of the Sino-Japanese relationship to putting forward innovative perspectives on Japan’s future foreign policy. He is alarmed about the possibility of a future governed by the relationship between major powers and calls for effective cooperation among middle powers on soft security issues.

Richard C. Koo, the highly influential economic analyst, sees free-trade gamesmanship along with other non-territorially-based issues as the transformative factor that could stop Asia – and particularly China – from falling into the trap of “national greatness”. Steven C. Wong, a leading geoeconomic thinker in Malaysia, shows that “hedging” – a term fashionable in discussions of hard power and international relations in Asia – has the most chance of being successful in the choices being made to foster economic interdependence as a tool to mitigate economic dependence.

Rajiv Sikri, the distinguished Indian diplomat and security analyst, stresses the all-round challenge that China’s rise represents, and suggests that the responses to the challenge are divisive within many of China’s partners, including India – and even within China itself. Kazuhiko Togo, a former high-ranking diplomat who is now willing to reflect publicly on Japan’s choices, suggests that if China engages in further self-definition in terms of its civilisation and culture, it could help to bridge some of the gap with the West and with the rest of Asia, in the absence of a democratic consensus. In his conclusion to this volume, Volker Stanzel, now senior adviser to ECFR after serving as Germany’s ambassador to China and Japan, explains that Asian countries do not want to choose between a China seeking to return to what it believes is its “rightful place” – that is, as Asia’s Number One – and their own path, which is closely tied to international rules and values.

We hope that the readers of this volume will explore their ideas, against the backdrop of these two starkly contrasting futures: one built on cooperation and prosperity, the other resulting from competition and conflict.

HISTORY AND MEMORY

Hahm Chaibong

1

How China and South Korea overcame history

In Northeast Asia, history has returned with a vengeance. After the end of the Cold War, Francis Fukuyama proposed the meta-narrative of the “end of history”. But the end of history based on class struggle has led to the revival of another kind of history: the kind of national struggles that Marx sought – and, it turns out, failed – to stifle. Because of domestic politics and geopolitics in Northeast Asia, history will likely play an increasingly prominent role in the region. But it does not have to.

China – once the land of the “Permanent Revolution” and the “Great Proletarian Cultural Revolution” – is refurbishing old monuments and memorials dedicated to the memory of its struggle against Japan during the first half of the twentieth century. At the same time, it seems to add new monuments almost every day. Japan – once the land of “pacifism” and “post-modernism” – is confronted with economic stagnation and political ennui; in response, it is increasingly harking back to nationalism based on historical revisionism.

South Korea, the land of successful industrialisation and democratisation, sometimes finds itself drawn to similar nationalist historical narratives to those invented by its arch-rival, the virulently xenophobic North Korea. These narratives portray all great powers, including the United States, as imperialist powers that obstruct national reconciliation and reunification. At times, South Korea empathises with China’s anti-Japan narrative. To the consternation of the US, the relationship between South Korea and Japan, the US’s two allies in the region, has hit rock bottom. Japan’s historical revisionism and South Korean nationalism, which is largely defined in opposition to Japan, create a potent mix that exacerbates tension between the two neighbours, both liberal democracies.

Unfortunately, it seems that Northeast Asia, in economic terms the most dynamic region in the world, will continue to be haunted by the ghosts of nationalism for some time to come. By design and by default, nationalism is filling the void left by the rapid disappearance of China's socialist facade. As Japan struggles to revive its economy and to contain China, whose GDP recently surpassed Japan's for the first time in the modern era, it is falling back on nationalism and revisionism instead of internationalism and pacifism. Nationalism also seems indispensable to South Korea, which is now contemplating reunification even as it continues its standoff against nuclear-armed North Korea.

A painful history

However, there is one significant and surprisingly bright spot in this otherwise bleak picture: relations between China and South Korea. Ever since the normalisation of diplomatic relations in 1992, the two countries have been enjoying a remarkably smooth and mutually beneficial relationship despite their painful past.

To be sure, there have been bumps on the road. In the early to mid-2000s, the debate over Goguryeo, an ancient kingdom whose territory spanned modern-day northern Korea as well as most of Manchuria, caused a serious academic and diplomatic controversy. The kingdom existed from the fourth century BC to the seventh century AD and Korean historians claim that it was exclusively Korean – ethnically and otherwise. Goguryeo fought off repeated invasions from China's Sui and Tang dynasties, and for Koreans it has been a symbol of Korean military prowess and independence from China. However, starting in 2002, Chinese scholars working on the so-called Northeast Project run by the Chinese Academy of Social Sciences, a major government think tank, claimed that the kingdom was merely a province of ancient Chinese empires. Claims like this led to Seoul recalling its ambassador to Beijing.

As emotions heat up, the Goguryeo controversy has the potential to reignite in the future. But it pales in comparison to the strong feeling surrounding another chapter in the history of South Korea–China relations: China's intervention in the Korean War (1950–1953).

18 In June 1950, North Korea invaded the south. Kim Il Sung, the North Korean leader, was able to convince his patrons, Joseph Stalin and Mao Zedong, that he could swiftly reunify the Korean peninsula if given the go-ahead for invasion.

The US acted quickly in response, redeploying the troops that it had recently pulled from South Korea and mobilising the United Nations to send a massive coalition force. Still, North Korean troops overran Seoul within three days of the invasion and swept south. By August, they had reached the outskirts of Pusan, a port city on the southernmost tip of the Korean peninsula.

US General Douglas MacArthur's landing at Incheon in mid-September finally turned the tide of the war. Two weeks after Incheon, South Korean and UN forces retook Seoul. On 19 October, they took Pyongyang, the North Korean capital, and subsequently continued to push northward. Elements of the Sixth Division of the Republic of Korea Army reached the Yalu River, the border between Korea and China. South Korean troops celebrated reunification and US troops sang: "I'll be home for Christmas".

But then the Chinese intervened. The first wave of the "Chinese People's Volunteer Army" numbered 250,000 men and was led by Peng Dehuai, one of China's most brilliant military leaders. By the end of the war, in 1953, three million Chinese military and civilian personnel had served in Korea. The Chinese retook Pyongyang on 5 December 1950 and Seoul on 4 January 1951. Even though South Korean and UN forces recaptured Seoul on 15 March 1951, it led to a stalemate with the country divided around the 38th parallel. In July 1953, an armistice was signed.

For South Koreans, it was a tragic and incomprehensible end to a war that had caused 2.3 million military and civilian casualties and destroyed the country. As far as South Koreans are concerned, the Chinese were responsible for saving a North Korean regime that had been all but crushed, thereby perpetuating Korean national division to this day.

For the Chinese, the Korean War, officially called the "War to Resist US Aggression and Aid Korea", was a defining moment for the ideology and foreign policy of the People's Republic of China, which had been founded less than a year before the outbreak of the war. But China also suffered heavy losses. In fact, more Chinese troops died in the war than South Korean and UN forces combined, more even than North Korean soldiers. Mao's eldest son, Mao Anying, died in the war and was buried near Pyongyang.

In the war's aftermath, relations between China and South Korea were frosty. Throughout the Cold War, China was a staunch ally and patron of North Korea. South Korea was a close friend of Taiwan, a kindred anti-Communist state that also suffered from national division.

Visionary and determined leadership

Given this painful history, it is remarkable how decisively the leaders of South Korea and China were able to put it all behind them to normalise bilateral relations in 1992. Kim Il Sung complained bitterly – but to no avail – to China's President Yang Shangkun, who was sent to Pyongyang by Deng Xiaoping on the eve of normalisation to notify Kim. Taiwan has yet to completely forgive South Korea for abruptly and unceremoniously severing diplomatic relations with it in order to normalise relations with China.

The rest is history. Bilateral trade has grown from \$6.4 billion in 1992 to \$235 billion in 2014. South Korea has also passed Japan to become the number one exporter to China. China has been South Korea's largest trading partner since 2004. Over 70,000 Chinese students study in South Korean colleges and universities, comprising the largest body of foreign students in South Korea. Nearly as many South Korean students study in Chinese universities – by far the largest foreign student body in China. More than 300 flights go between South Korean and Chinese cities everyday. In 2014, more than six million Chinese tourists visited South Korea.

Today, China continues to undertake masterful public diplomacy with South Korea, skilfully emphasising the two countries' common interests while downplaying the negatives, such as the Goguryeo controversy and the Cold War history. Beijing shrewdly exploits shared anti-Japanese sentiments by lavishly restoring and constructing memorials in China dedicated to the Korean struggle against the Japanese, such as the site in Harbin where the Korean nationalist, An Jung-geun, assassinated Japan's Prime Minister Ito Hirobumi in 1909.

South Korea shares a great deal with Japan in terms of political ideology, economic system, and values, not to mention critical strategic interests – but Japan is unable to overcome history. Even as it emphasises its common strategic interests with South Korea, such as the need to counter the North Korean nuclear threat and to contain the rise of China, Japan continues to cling to a radically revisionist view of history that is blatantly offensive to South Korea.

2015 marks the fiftieth anniversary of the normalisation of relations between South Korea and Japan. However, most of the events that were originally scheduled to celebrate the occasion are being cancelled due to the tensions in bilateral relations. In Japan, opinion polls show that the number of Japanese who dislike South Korea is at an all-time high. South Korean polls show that

the feeling is mutual.¹ The number of Japanese tourists to South Korea continues to drop precipitously. Depreciation of the Japanese yen compared to the South Korean won is partly to blame – but only partly.

What China and South Korea show is that history – even the most recent and painful kind – can be left behind, even if it cannot be entirely overcome. It is a study in how visionary and determined leadership can overcome deeply held historical beliefs, prejudices, and grudges between peoples and nations for higher ends such as continued regional integration and prosperity – and even for national interests. Whether Northeast Asia will be able to overcome history or will succumb to it will depend on whether we are fortunate enough to have such leaders again.

¹ Kim Jiyeon, Karl Friedhoff, Kang Chungku, and Lee Euicheol, “Challenges and Opportunities for Korea–Japan Relations in 2014”, the Asan Institute for Policy Studies, February 2014, pp. 9–15, available at <http://en.asaninst.org/contents/challenges-and-opportunities-for-korea-japan-relations-in-2014/>.

Perceptions of history have coloured the relationship between China and Japan since the normalisation of relations between the two countries in 1972. Occasionally, tensions have arisen prompted by issues related to history, such as those set off by Chinese criticism of Japanese history textbooks and by the Japanese prime minister's visit to the controversial Yasukuni Shrine in Tokyo. But Japan and China have mostly contained these tensions and prioritised other common interests such as trade or investment. China has effectively used history to win concessions and compensation from Japan in the form of economic assistance. Meanwhile, feelings of guilt towards China have served as an incentive for Japanese leaders to maintain good relations with China.

Recently, however, some in Japan have begun to suspect that China may be instrumentalising Japanese guilt to mute criticism of its military expansion and its assertive actions in the East and South China Seas. As the generations of Japanese and Chinese who actually experienced and witnessed Japan's aggression die out, perceptions in both countries have become more dependent on national policy and domestic political controversies. As a result, a perception gap is developing between the Chinese and the Japanese peoples.

Therefore, it is unrealistic to expect reconciliation between the Japanese and the Chinese in the near future. It would also be naïve to think that sincere remorse by Japan could end the controversy over history. The controversy will continue as long as there is still military and political rivalry between China on the one hand and Japan and the United States on the other. Instead of trying to wipe out the past, Chinese and Japanese leaders should focus on a more practical agenda. Rather than expecting each

other to make concessions on perceptions of history, they should take steps to avoid the accidental collision of vessels and airplanes and cultivate mutual economic interests such as free trade and investment arrangements.

Europeans and Americans also have important roles to play. They should refrain from making their own moral judgments. Without knowing the reality and background of the historical dispute between Japan and China, observers tend to see the argument in a shallow and one-sided way. This may encourage China to continue to use the history card to bolster its legitimacy. In turn, this could lead to an increase in the perception gap between two nations and push the mutual distrust further towards the point of no return.

The lessons of the Abe–Xi summit

On 10 November 2014, Japan's Prime Minister Shinzo Abe and China's President Xi Jinping had a 25-minute meeting in Beijing – the first summit meeting between Japan and China since May 2012. Relations between China and Japan had deteriorated since the previous meeting. In September 2012, the administration of Japan's Yoshihiko Noda purchased the Senkaku Islands from private owners. In December 2013, Abe made a controversial visit to the Yasukuni Shrine, where, among Japan's war dead, 14 Class A war criminals are enshrined.

Before agreeing to participate in the bilateral summit meeting, the Chinese government suggested two preconditions for holding the meeting: firstly, that Japan should recognise that a territorial dispute exists between China and Japan over the Senkaku Islands; secondly, that Japan should be sincere about engaging with the past. Japan did not accept the two preconditions but the summit went ahead anyway.

Why China agreed to hold the summit is unclear, but there are three possible reasons. Firstly, China may have wanted to avoid the escalation of military conflict around the Senkaku Islands. At the foreign ministerial meeting before the summit, Japan and China agreed to work on establishing communication mechanisms to avoid accidental escalation. Secondly, the Chinese government did not want to spoil the atmosphere at the upcoming Asia-Pacific Economic Cooperation (APEC) summit, which it saw as a very important way to promote Xi's diplomatic leadership in the world (as an example of the administration's desire to put its best foot forward, during

the APEC summit, it created an “APEC blue” sky in Beijing by shutting down many factories and limiting automobile traffic). Thirdly, China may have wanted to improve relations with Japan in order to boost its slowing economy. Following anti-Japanese riots in several Chinese cities in 2012, Japanese investment in China has drastically decreased.

The Abe–Xi summit suggests that history may not completely impede China’s diplomacy towards Japan. History may be used as a diplomatic tool rather than remaining an unchanging doctrine. This suggests that it may not be impossible for Japan on occasion to change Chinese attitudes to history. On the other hand, it also suggests that history will not disappear from bilateral relations as long as China sees it as an effective tool.

Making use of history

China has several rational reasons for using history as a diplomatic tool in relations with Japan. Firstly, the victory over Japanese imperialism has provided the Chinese Communist Party with an indispensable source of legitimacy. China’s education and media policy has reinforced the memory of Imperial Japan’s invasion of China, during which many Chinese people were killed or suffered. Chinese television stations and cinemas continue to produce dramas focusing on Imperial Japan; in fact, more programmes on the subject are broadcast nowadays than were shown in the 1970s and 1980s, when more people were alive who had actually experienced the invasion. At that time, the Chinese government did not want to damage good relations with Japan, which were essential to China’s economic development.

Secondly, depicting Japan as revisionist was an effective way to win sympathy from the rest of the world and especially from wartime allies such as the US, Western European nations, and Russia. Revisionists who tried to justify Japan’s wartime aggression never formed a majority in Japanese society. But conservatives continue to question the legitimacy of the post-war Tokyo War Crimes Tribunal and, in particular, the sentencing of the Class A war criminals now enshrined in Yasukuni Shrine for “crimes against peace” that were retrospectively created and applied. The action was morally acceptable in view of the Japanese atrocities in World War II, but it has legal shortcomings. In particular, it contravenes the modern legal principle, embodied in 1789 in France in the Declaration of the Rights of Man and of the Citizen, that *ex post facto* or retroactive law is unacceptable.

This is not to defend historical revisionism. But it is likely that, as long as freedom of expression is guaranteed in a democratic society, some people in Japan will continue to question the legitimacy of the Tokyo Tribunal. Nevertheless, they are a minority. Most Japanese people accept the legitimacy of the Tokyo Tribunal and feel a sense of guilt towards their Chinese and other Asian neighbours. This consensus has justified the major pillars of Japan's foreign and security policy since World War II. In particular, Article 9 of Japan's constitution renounces war as a means of settling international disputes and limits Japan's capabilities for territorial defence as well as its participation in regional and global security activity.

This sense of guilt was also the basis for the consensus, shared by leaders of both the ruling Liberal Democratic Party and the major opposition parties, that Japan should assist in China's economic development in the 1970s and 1980s. The generation of politicians who normalised relations with China in 1972 had lived through Japan's aggression against China in the 1930s. Some, such as Foreign Minister Masayoshi Ohira, had actually served in the wartime government as junior officials.

However, as the generation that experienced the war against China has disappeared, Japanese perceptions of their neighbours have become more realistic and less apologetic. Although the majority of the Japanese population still does not support revisionism, they have begun to see China's growing military capabilities as a threat – even though the majority of the Japanese population has been educated to believe that Japan's past aggression was a mistake and to see the value of Article 9.

History is important not only for Japan's relations with China but also for its relations with the US. One basis for Japan's military alliance with the US is its acceptance of the Tokyo Tribunal. Thus historical revisionism could be regarded as a challenge to the legitimacy of the Japan–US alliance. This is one reason that even many conservative realists have refrained from challenging the Tokyo Tribunal, in spite of their nationalist beliefs.

In the same context, history could serve as an effective diplomatic tool for China to drive a wedge between Japan and the US. Since the alliance between Japan and the US is an obstacle to China's military supremacy in the Asia-Pacific region, it would be rational for China to portray Japanese historical revisionism as a challenge to the post-war international order.

A claim like this could give China some legitimacy, despite its own ongoing challenge to the current regional and world order as a revisionist rather than a status quo power.

History could put China and Japan on a collision course. To prevent such a collision from happening, the world should understand that the argument about history is one between a Chinese government that has rational and self-interested reasons for using history as a tool and Japanese conservatives who are reacting emotionally. Neither is conducive to peace and prosperity, nor beneficial to China, Japan, or the rest of the world.

DEMOCRACY AND AUTHORITARIANISM

Akio Takahara

3

The challenge of a non-democratic China

When Japan and China normalised relations in 1972, the differences between the two countries' political systems did not matter. This was the case even though the normalisation took place in the midst of the Cold War – or, perhaps, partly because it did. Many Japanese people sympathised with socialist thinking and, at the time, the Socialist Party was the largest opposition party in Japan. And, for their part, the Chinese were confronting the “Soviet socialist imperialists”. In 1980, the Deputy Chief of Staff of the People's Liberation Army (PLA) even suggested that Japan should double its defence budget to 2 percent of GNP to counter the threat of the Soviet Union.

Things began to change quickly in the 1990s. Socialism lost its charm for many people around the world, including for the Japanese, and even for the Chinese. Jiang Zemin and the new generation of China's leaders had to look for a new source of legitimacy to maintain their rule. In the absence of a big brother – that is, the Soviet Communist Party – and of the first generation of the revolutionaries, they were able to make bold changes in their ideology. In 1992, Deng Xiaoping had already abandoned the planned economy; in 1999, Jiang Zemin virtually abandoned the public ownership system. As long as state-owned enterprises dominated the key sectors of the national economy, such as infrastructure, public utilities, and the defence industry, the state no longer needed to retain ownership of most public assets.

This “quiet revolution” increased the number and influence of capitalists in Chinese society. Therefore, Jiang decided, in the face of much internal opposition, to admit capitalists into the Chinese Communist Party (CCP). Jiang said that international competition among world powers was intensifying day by day, so every force in society should be mobilised to promote development and to increase China's national power. When the Party charter was amended in 2002, the CCP was redefined as the vanguard

of the Chinese people and the Chinese nation, as well as of the Chinese proletariat. The Communist Party, in effect, turned itself into a nationalist party. Nationalism, in addition to developmentalism, became an official and important pillar of the legitimacy of CCP rule.

It is clear to many Chinese people today that the Party leadership has a tendency to stir up nationalist sentiments for the sake of unity and national integration. The leadership is faced with a Party that is divided on serious issues such as the direction of systemic reforms and of foreign policy. It also has to deal with a society in which people are rapidly changing their ways of thinking and are becoming more and more dissatisfied with the present and anxious about the future. Despite the general improvement in living conditions, there is much resentment in Chinese society, or, to say the least, it is very unsettled. For the leadership of a virtual one-party state, whose only option is to suppress any dissent or protest, nationalism is like opium: it works, but it is addictive. Hu Jintao was a dove, but he stressed the slogan of the “great rejuvenation of the Chinese nation” even more than did his predecessor – despite the fact that Hu, in contrast to Jiang, had called on other countries to jointly construct a harmonious world. Xi Jinping has taken up the “Chinese Dream” of achieving the “great rejuvenation” as his central slogan.

Many Chinese believe that Japan’s Prime Minister Shinzo Abe paid his controversial visit to the Yasukuni Shrine, where 14 Class A war criminals from the Second World War are enshrined together with the war dead, to stir nationalism and thus increase the cohesive power of his administration – which is the kind of thing that Chinese leaders would do. However, the effect in Japan was in fact the opposite. According to opinion polls, the Japanese public was entirely divided over Abe’s visit to the Yasukuni Shrine, with those against the visit slightly more numerous than those who supported it. It is sometimes difficult for Chinese people today to maintain an objective perception of themselves and of the outside world. When they observe other countries, they sometimes project their own experiences and apply preconceived ideas. It is safe to say that the lack of a critical mass media and the rise in nationalist sentiments are important causes of this.

Pax Sinica as an extension of Pax Communista

China's one-party rule presents its neighbours with another problem. In China, there is no rule of law, only rule by law under the leadership of the Party. In other words, internal order in China is not rule-based but power-based. I call this "Pax Communista", since it is an order that is supported by the overwhelming power of the CCP, which is fully equipped with modern technology that allows it to monitor, control, and suppress any opposition or outlying voices.

Conservative elements of the CCP are strongly against the idea of constitutional government. The CCP instructed universities in 2013 to avoid talking about seven concepts, including notions such as civil society, freedom of the press, and universal values. And without a mechanism for checks and balances, corruption and abuse of power naturally becomes the standard in governance. Xi's anti-corruption campaign has, apparently, been effective in containing these problems for the time being. However, good manners based on fear will not survive the next change in leadership, because they are not based on established institutions and shared values.

China's domestic order is relevant to China's relations with its neighbours because some in China envisage a wider "Pax Sinica" as an extension of "Pax Communista". That is, these crude realists believe in power; they argue that small countries must be subordinate to a big country. They believe that time is on their side, because China is rising and the power balance will prove increasingly advantageous. Once the power gap becomes obvious, throwing its weight around will be enough for China to force compliance from others.

This thinking is obviously unacceptable to all of China's neighbours. We should not impose our will on other nations by force or by the threat of force; instead, we should solve conflicts through peaceful means – we all learned this lesson the hard way through the devastating experiences of war in the twentieth century. This principle is manifested in the Charter of the United Nations and in the Japan–China Peace and Friendship Treaty signed by the two countries in 1978. China was willing to abide by such rules when its national power was weak. It says that it will still do so now, but its actions in the East and South China Seas in recent years have suggested otherwise.

I once asked a very senior CCP theoretician whether there was any contradiction between the policy of peaceful development and the act of

sending patrol boats into the territorial waters around the Senkaku Islands. He could not answer the question, and for a few moments he was at a loss for words. Then he burst into a harangue about Japanese actions during the Sino-Japanese war, ending up criticising me for my understanding of history, which I had not mentioned at all.

Democracy and war

Nationalism as a pillar of the legitimacy of CCP rule and China's lack of democratic institutions and values represent factors in the difficulties in China's relations with the rest of the world and especially with its neighbours. But is democracy a necessary and sufficient condition for friendly international relations? Could it not be the case that, as in South Korea, democracy might allow even greater expression of anti-Japanese sentiments and thus prove harmful to the relationship?

This outcome is possible because, in any political system, nationalism serves the political interest of certain politicians and the commercial interest of the mass media. However, no one in Japan senses any possibility of a war with South Korea – perhaps in part because they trust that South Korea's democratic system will do a better job of checking the use of force than the system in North Korea. Also, in spite of social pressure, institutional protection of freedom of speech and freedom of the press should facilitate the dissemination of information.

Under one-party rule in China, reporting freely on international issues is not allowed. For example, when Abe met Xi on the sidelines of the Asia-Pacific Economic Cooperation forum meeting in November 2014, he said a lot of positive things. Abe suggested to Xi that the two should jointly explore how Japan–China relations should be formed in the twenty-first century from a broad and long-term perspective. Abe said that he personally thought cooperation on four issues was especially important: promoting mutual understanding between the two peoples; further deepening economic relations; cooperating in the East China Sea; and ensuring stability in the East Asian security environment. But this important message was never reported in the Chinese press. If that had happened in South Korea, on the other hand, some mass media would have reported on the positive message, even if it ran counter to the image of Abe that had been created by previous reporting.

Thus, lack of democracy presents what the Chinese would call a “deep-rooted problem” in its relations with the outside world. Although the problem is not insurmountable, how a non-democratic China wields its rising power will increasingly become a concern for the rest of the world.

C. Raja Mohan

China, democracy, and the balance of power in Asia

4

Democracy has not been a decisive factor in shaping Asia's international relations since the Second World War. The internal orientation of states features prominently in Western and especially American discourse on Asia, but it generates less excitement in Asia itself. Meanwhile, a rising China has recently begun to put a new emphasis on the slogan, "Asia for Asians". This seems to be a stratagem to weaken the Asian alliances of the United States and to put forward an ideological framework that might encourage the region to accept a Beijing-led order.

Over the last century a number of other ideological constructs – such as pan-Asianism, anti-imperialism, socialist internationalism, and Third Worldism – have each had their moment in the region. But each of these ideologies ran afoul of Asia's power politics, intra-regional rivalries, and nationalist passions. Despite the continent's deep concerns about the rise of China, as a result of these failed experiments, Asia is inoculated against expansive trans-frontier ideological slogans and is unlikely to ever come to view Beijing exclusively through the lens of democracy.

The history of democracy in international relations in Asia

On the role of democracy in international politics in Asia, the past may be a good guide to the future. In the 1960s, when the US was taken up with the notion of falling Asian dominoes, the concept of democracy seemed to have an impact on international politics in the region. In retrospect, though, it is quite clear that the US was more interested in defeating international communism in Asia than in promoting democracy. In any case, the rift between Russian and Chinese communists and the US embrace of communist China put an end to the idea of making Asia "safe for democracy".

The fall of the Berlin Wall, the collapse of the Soviet Union, and the pro-democracy movement in China returned democracy to the Western agenda for Asia. The elimination of Russia as the West's great power rival in Asia at the end of the Cold War seemed to mean that the geopolitics was no longer relevant to the evolution of the region's international relations. China's struggle for democracy, which culminated in the tragic events of Tiananmen in June 1989, gave new salience to political values in Western debates on the future of China and of Asia. For a brief moment, it seemed that China's reduced strategic importance in great power relations would allow the West to focus on China's internal political transition.

However, Deng Xiaoping negated this possibility by marginalising leftwing ideologues at home, accelerating economic reforms, integrating China into Asian institutions, and developing stronger political ties with the country's Asian neighbours. As US and European economic and commercial stakes in China rose rapidly throughout the 1990s and 2000s, Beijing found it easier to counter those in the West who sought to define policy on China in terms of political values.

More broadly, the question of democracy presented a paradox in Asia. The post-Cold War era saw the spread of political pluralism in Asia, but at the same time, strong resistance emerged to the US agenda of democracy promotion in the region. A lot of Asians were deeply cynical about the West's renewed prioritisation of democracy and extremely irritated at meddling by the international human rights organisations. Many have not forgotten that the European colonial powers sought to reclaim their Asian territories at the end of the Second World War and that some of them had invented the notions of "liberal" and "humanitarian" imperialism. Nor had they forgotten the Western record of allying with regional strongmen during the Cold War.

Asia was also not surprised by the weakness and inconsistency of Western attempts to promote democracy in the region. It was not difficult to see that the US and the West have other interests that they balance against democracy promotion. At the same time, sections of the Asian elites developed an interesting counterargument against the Western pro-democracy agenda. This argument looked beyond the traditional emphasis on national sovereignty and premised that "Asian values" were different from those of the West. It also moved beyond the old propositions that democracy and development were incompatible in Asia and that the latter must precede the former. At a moment when more Asian countries were moving, albeit slowly,

towards democracy at home, the theory of “Asian values” was a transparently self-serving one. It was buttressed by the proposition that China must build its political order on its inherited traditions rather than on imported Western values.

A new balance of power in Asia

However, democracy has not gone away. US President George W. Bush saw China as a potential peer and competitor, and tried to mobilise Asian democracies to create a regional balance of power in Asia that favoured freedom. Bush and his successor, Barack Obama, have been too preoccupied with the Middle East to develop this idea into a coherent strategy. Even so, the idea has gained some traction within Asia. Japan became the first Asian power to propose the construction of a partnership between the region’s democracies and the US. In his first term as prime minister in 2006–2007, Shinzo Abe sought to build a “Democratic Quad” in which Australia, India, Japan, and the US would work together to build regional stability. Reservations in all four capitals meant that the approach did not survive long – and China’s protests reminded all four of the costs of an open collaboration in the name of democracy.

Nevertheless, the idea has persisted in other forms. At the core of the US “pivot” to Asia are its alliances with democracies in the region such as Australia, Japan, and South Korea. The US is also reaching out to unaligned democracies such as India and Indonesia. But the “pivot” is clearly not, nor can it be, limited to alliances and partnerships with democracies alone. The US is hesitant to make democracy a touchstone in shaping its relationship with Thailand, the US’s oldest ally in Asia, which is going through yet another phase of military domination of politics. Washington is also eagerly cultivating a strong relationship with non-democratic Vietnam.

The rise of China as a non-democratic power does not make it easy to construct a regional balance through a counter-coalition of democracies. Countries with other kinds of systems must be part of any opposition to China. For example, it is hard to imagine an Asian balance of power that does not seek to separate Russia from China. As was the case during the Cold War era, the balance of power must necessarily come through an alignment of interests, and states’ internal orientation can be only one element of such an alignment.

Over the last few years, a series of overlapping mechanisms for security cooperation in Asia has emerged. While the “Democratic Quad” was short-lived, India, Japan, and the US have sustained a trilateral engagement since 2010. Australia – which was the first to leave the Quad, in 2007 – is now eager to rejoin the collaboration. Meanwhile, bilateral and trilateral security cooperation among the democracies of Australia, India, and Japan is gaining ground. India, Australia, and Indonesia have also initiated a trilateral dialogue.

Even more important over the longer term is the conscious articulation of democratic identity by a number of leading Asian nations. In the past, Japan did not define itself as a democracy, despite its membership of the US alliance system and of the G-7. But now, Japan has begun to do so. This may not be enough to immediately strengthen political bonds with South Korea and overcome the divisions created by nationalism. In the longer term, though, shared political values might provide a basis to address the enduring differences between Tokyo and Seoul. Indonesia, which became a democracy in the late 1990s at the peak of the debate on “Asian values”, is proud of its new political system – for example, it organises the annual Bali Democracy Forum.

India traditionally defined its political identity in terms of non-alignment and of leadership of the Third World. Now, it too has begun to inject democracy into its international persona. The process began more than a decade ago when the National Democratic Alliance government led by Atal Bihari Vajpayee decided to join the US-led Community of Democracies project. This cautious first step was followed by more explicit support for US democracy initiatives under Prime Minister Manmohan Singh. The Narendra Modi government has repeatedly underlined the shared political values between India and the US and between India and regional allies such as Japan and Australia. This new emphasis on democratic identity not only helps Delhi to strengthen its political bonds with the West, but also differentiates India from its two main regional adversaries, China and Pakistan.

Nevertheless, Delhi is not putting all its bets on the theory that its position as a democracy will cause the West to give it preferential treatment over China and Pakistan. After all, Washington allied with the Pakistani military and the Chinese communists against the Soviet Union in the 1970s and 1980s. In response, Delhi aligned itself with the Russian communists.

Although shared political values failed to bring India and the West together during the Cold War, they have now become a significant factor in Delhi's expanding engagement with the US and its allies. But realists in Delhi know that India should not overemphasise the salience of democracy. Instead, it should focus on building strong economic, political, and security relationships with the West to cope with China's rise and to create a new balance of power in Asia.

WHAT KIND OF ORDER IN ASIA?

Chung-in Moon and Chun Young Park

A Sino-American order in Asia

5

Unlike Europe, Asia does not have a cohesive regional system. Instead, it is fragmented into several sub-regional groups, with some such as Southeast Asia more cohesive, and others not. The diverse countries of the region share no common visions, ideas, or institutions that could make them a coherent regional body. The idea of “One Asia”, in which people, goods, and services could move freely across national borders, seems like a distant dream. In Ellen Frost’s words, Asia as a whole lacks regionalism defined as “a conscious set of related ideas or ideology capable of forming the basis of a political movement or an intellectual trend” that stems from “awareness of and loyalty to a region, combined with dedication to a regionwide agenda of some kind.”²

Asia’s challenges

Economic interdependence has contributed to bringing the countries of the region closer than ever before through the evolution of a regional division of labour, dense production networks, and expanding trade, investment, and financial linkages. Intra-regional trade and investment have been rapidly rising and Asia has virtually become one large market. Moreover, Asian countries have recently intensified the process of economic integration by engaging in various forms of bilateral, sub-regional, and regional Preferential Trade Agreements (PTAs).

Countries in Asia have become increasingly interdependent in political terms as well. Networks of intergovernmental institutions and Track 1.5 organisations are proliferating in the region, fostering a sense of political community, albeit

² Ellen L. Frost, *Asia’s New Regionalism* (Boulder, CO: Lynne Rienner Publishers, 2008).

one that is loose and informal. In addition to bilateral interactions, heads of states, ministers, and senior officials of Asian countries hold regular and intensive meetings through various channels such as the annual meetings of the Asia-Pacific Economic Cooperation forum (APEC), the East Asia Summit (EAS), the Association of Southeast Asian Nations (ASEAN), the ASEAN Regional Forum (ARF), the China–Japan–South Korea Trilateral Summit, and others. Alongside these official meetings, government and non-government officials interact and consult with each other through Track 1.5 mechanisms. The Council for Security Cooperation in the Asia Pacific (CSCAP), the Northeast Asia Cooperation Dialogue (NEACD), and ARF Experts and Eminent Persons (ARF EEP) group, to name a few, are good examples of these initiatives.

These positive developments notwithstanding, Asian regionalism faces several formidable challenges. First, the sheer size of the region's geographic expanse poses a major barrier to the formation of a common regional awareness that could encompass the entirety of Asia. Northeast Asia is far away from South Asia, whereas Central Asia is a landlocked area without physical connections to other regions of Asia. The region's geography has created divergent perceptions of region among Asia's different states. For instance, South Korea's conception of region has been very much limited to Northeast Asia. Japan regards East Asia as its regional boundary, seeing its region as being composed of Northeast and Southeast Asia, partly due to its old historical vision of the Greater East Asia Co-Prosperity Sphere. For its part, India sees itself as the hegemon of South Asia. Having borders with almost all Asian countries, China is the only country that has a "One Asia" regional awareness. This geographic diversity dilutes the sense of regional awareness among Asian countries and makes it harder for Asian countries to come to a common regional identity.

The lack of political cohesiveness is another impediment to the realisation of the vision of "One Asia". A large number of Asian countries share capitalism and democracy as common political and ideological constructs, but the region is far from achieving political homogeneity and cohesion. China, the most influential regional actor, is still an authoritarian communist regime. India, Japan, and South Korea are mature democracies, but Asia as a whole is characterised by a delicate mix of different governance structures and ideologies, ranging from monolithic socialist dictatorships (such as North Korea) to hard authoritarian countries (such as Vietnam) to capitalist soft authoritarian states (such as Malaysia).

Asia also has a heterogeneous socio-cultural terrain, with wide and deep variations in ethnicity, race, language, religion, culture, and history. Some religious, ethnic, and cultural sub-groupings are possible, but the region as a whole does not share a consciousness of a common heritage, which militates against any social and cultural cohesiveness that could support region building in Asia.

The spectre of geopolitics

Geographic expanse and divergent regional awareness, limited political cohesiveness, and socio-cultural heterogeneity are just background limitations. What most hinders the process of Asian regionalism is a revival of old geopolitics, clashes of national identities, and political abuse and misuse of external activity for domestic political gain.

Asia is currently undergoing a profound transformation. Power is diluted, governance structures are unbalanced, and individuals strive for power, wealth, and status. All these elements have combined to create a new geopolitical terrain, and rising China is at its centre. Despite Beijing's denials, a power transition is taking place. Hegemonic rivalry between China and the United States is now a reality. China's sudden rise and its assertive external behaviour are being countered by the US "pivot to Asia" strategy, which has been joined either explicitly or tacitly by Japan, South Korea, Australia, the Philippines, Vietnam, and India. The newly emerging geopolitical divide, reminiscent of the late nineteenth-century regional order, makes the prospects for "One Asia" even dimmer.

The clash of national identities, especially among countries in Northeast Asia, could become another fault line for Asian regionalism. Historical memory has provided a basis for nationalist sentiments and movements in the region. Abe's political triumph has fuelled neo-nationalism in Japan, defying the historical burden of a defeated imperial power. China is also witnessing a nationalist resurgence that transcends the socialist governing ideology of the Chinese Communist Party. Nationalism in South Korea is still pervasive and well entrenched. Nationalist fervour in the region has risen as the force behind assertive and even hostile external policy towards neighbouring countries, as leaders capitalise on issues related to territorial and historical sovereignty. In this way, nationalism trumps regionalism.

Domestic political dynamics, regardless of regime type, do not seem to be conducive to the development of Asian regionalism either. Whether public sentiment and coalitional politics translate into provocative or self-restraining foreign policy depends largely on the political leadership's perceptions and corresponding actions. Lately, governments in Northeast Asian countries have been aggravating rather than mitigating divisions in external relations by taking advantage of nationalist feeling for domestic political purposes. The politicisation of a nationalist sentiment has triggered negative chain reactions among China, Japan, and South Korea, which have most frequently been set off by Japan. Japanese rightwing politicians have intentionally initiated provocations on historical issues such as the content of textbooks, the glorification of Japan's colonial rule, and the tributes paid at the Yasukuni Shrine. These provocations have been met with negative reactions in China and South Korea, which have –ironically, given their own differences – come together in an adversarial coalition across borders. This sort of dispute is not limited to Northeast Asia, but can be commonly observed in other parts of Asia too.

Four scenarios for Asia

What would a future Asian regional system look like? Four scenarios are possible: the status quo; a polarised Asia; a community order; and a China-centric Asia.

The first scenario would involve the continuation of the status quo, in which Asian regionalism would remain fragmented around proximity-based sub-regional groupings, thin in scope, shallow in depth, and soft in terms of degree of institutionalisation. This scenario is made more likely by Asian countries pursuing bilateral, sub-regional, and regional cooperation and integration without any significant hegemonic stabiliser.

The second scenario is a “polarised Asia”. If the hegemonic rivalry between China and the US deepens, some Asian countries will join the US's efforts to balance China, whereas others might hitch their wagon to the new challenger, China. As a result, Asia will be divided into two contending blocs, China against the US, according to the template of a new Cold War. Several indications of this can already be detected: the US-led Trans-Pacific Partnership (TPP) is a counter to the China-led Regional Comprehensive Economic Partnership (RCEP); the US/Japan-led Asian Development

Bank (ADB) balances the China-led Asian Infrastructure Investment Bank (AIIB); and the US's alliance system stands against China's new Asia security initiative based on common, comprehensive, cooperative, and sustainable security.

The third scenario is the formation of a viable Asia-Pacific community under the joint leadership of China and the US. It could include an extended economic community starting with the Free Trade Area of Asia Pacific (FTAAP), a new security architecture modelled on the Organization for Security and Co-operation in Europe (OSCE), along with a tighter institutionalisation of regional cooperation that goes beyond the traditional norms and rules of consensus-based decision-making and voluntary compliance. In his book, *On China*, Henry Kissinger prescribes such an option, urging China and the US to seek a co-evolutionary strategy as part of a win-win scenario.³ For the community order to emerge, the cooperation of middle powers such as Japan, South Korea, and Indonesia would be essential.

The fourth scenario is China-centric Asian regionalism. This system cannot be ruled out in the long term. It is predicated on the revival of the old Chinese tributary system. Under this scenario, Asian countries would be increasingly dependent on, and gravitate towards, China. It assumes the waning of US influence and even its gradual disengagement from Asia. Nevertheless, the new tributary system would be different from the old one in the sense that China would not be able to utilise military and cultural power as a means of re-enforcing its dominance over other countries in the region.

In the short term, the status quo scenario is likely to prevail. But in the medium term, Asia could end up either divided or unified, depending on the pattern of interaction between China and the US. A China-centric Asia seems a distant possibility. The least desirable scenario is the emergence of a polarised Asia, since that would force Asian countries into making a strategic choice. A new Asian community order based on strategic partnership between China and the US, with middle powers playing a supporting or mediating role, is the most desirable scenario.

3 Henry Kissinger, *On China* (New York: Penguin, 2011).

Yoshihide Soeya

Middle-power cooperation in Asia

6

Until now, institutional arrangements promoting regional cooperation in East Asia have centred on the Association of Southeast Asian Nations (ASEAN). They include the ASEAN Regional Forum (ARF, established in 1994), the Asia–Europe Meeting (ASEM, launched in 1996), ASEAN Plus Three (APT, instituted in 1997), the East Asia Summit (EAS, first held in 2005), and the ASEAN Defence Ministers’ Meeting (ADMM-Plus, set up in 2010). All these institutions are firstly aimed at confidence building, with secondary objectives of preventive diplomacy and, finally, conflict resolution. Membership is inclusive, with the United States, China, Russia, and Europe taking part alongside most of the countries in the region.

The existing mechanisms of East Asian cooperation reveal both the important realities of East Asian regionalism and its fundamental limitations. For one thing, the ASEAN way is to begin with the issues that all participating members feel comfortable discussing in an effort to inculcate the habit of cooperation. This approach can help to build confidence among the regional countries and prevent troublesome issues from flaring up, which in itself is positive for regional stability. Avoiding these issues, however, means that potential sources of conflict are left untouched. Therefore, the possibility remains that power politics will eventually come to dominate regional affairs – quite the opposite outcome to that which multilateral cooperation is intended to achieve. And the inclusive membership of multilateral institutions is a double-edged sword. Inclusiveness is an important precondition for cooperative security, but it could also become a tool that big powers could use to control middle powers and smaller countries.

China is obviously a big concern in East Asia in terms of the danger that power politics could develop under the guise of regional cooperation and the risk that a big power could find a way to control the region through some kind

of multilateral institution. Worries have grown because of China's uncompromising attitudes and policies towards the disputed islands in the South China Sea and its recent move to establish the Asian Infrastructure Investment Bank (AIIB). ASEAN-centred regional cooperation has not only proved to be ineffective in preventing Chinese assertiveness, it has in fact functioned as a shield for it. This illustrates the limitations of ASEAN-centred multilateral cooperation in East Asia.

A new model of major power relations

Meanwhile, China is now proposing a new model of major power relations in the Asia-Pacific. In order to understand Chinese enthusiasm for this new model, it is important to note two key elements peculiar to Chinese nationalism. One is a strong sense of victimhood and humiliation over the modern history of China, particularly since the First Opium War (1840–1842). The other is a growing sense of confidence and pride, which has been created by the country's recent spectacular rise to great power status. As a result, many Chinese believe that the natural order of things is an Asia with China as its centre, and that the time has come to bring Asia back to such "normalcy". For the Chinese, if a strong China were to "reclaim" its core interests in Asia, it would only be doing "justice" to history.

Many Chinese people, however, believe that a China-centred Asia should be compatible with a China that continues to develop economically within the liberal international order at the global level. After all, China's spectacular rise is predicated on the help it received in modernising and developing since the adoption of Deng Xiaoping's open door and reform policies from the advanced democratic economies of the world, including the US and Japan.

This is amply demonstrated in the Chinese concept of a new model of major power relations. While this idea envisages coexistence with the US across the Pacific and on the global stage, the concept also involves the Chinese desire to see US presence and influence in Asia gradually decrease. The US presence, sustained primarily by the Japan–US alliance, is the biggest obstacle to the realisation of a China-centred Asia. Should the US leave the destiny of Asia in the hands of the Chinese, China would be perfectly ready to coexist peacefully with the US. Xi Jinping reportedly said in California in June 2013 that "the Pacific Ocean is wide enough to incorporate [the interests of] both China and the US".⁴

The Obama administration's response to this Chinese overture has been positive. In November 2013, for instance, National Security Advisor Susan Rice said: "When it comes to China, we seek to operationalise a new model of major power relations. That means managing inevitable competition while forging deeper cooperation on issues where our interests converge – in Asia and beyond. We both seek the denuclearisation of the Korean Peninsula, a peaceful resolution to the Iranian nuclear issue, a stable and secure Afghanistan, and an end to conflict in Sudan. There are opportunities for us to take concerted action to bolster peace and development in places like sub-Saharan Africa, where sustainable growth would deliver lasting benefit to the peoples of Africa as well as to both our countries."⁵

Arguably, Rice was referring to a new model of major power relations primarily, if not exclusively, in the global context. But Rice's reference to the US seeking "to operationalise" such relations was received with alarm in parts of Asia because, in the Asian context, the Chinese emphasis on a new model of major power relations implies the Chinese dream of creating a China-centred Asia. China's recent move to establish the AIIB should be understood in this context.

Hugh White recently argued that, in order to avoid this strategic clash, the US should be prepared to share power in the Pacific with China.⁶ But what is often missing in this type of realist exposition of the strategic relationship between the US and China is the examination of the place and role of China's neighbours, which worry about whether a strong China that rejects the US primacy would be a benign hegemon in Asia. Other Asian countries will be directly impacted by the behaviour of a powerful China, and their coping strategies, or the lack of them, will affect the shape of order in Asia in a significant way.

4 Willy Lam, "Beijing's Aggressive New Foreign Policy and Implications for the South China Sea", China Brief, the Jamestown Foundation, Volume 13, Issue 13, 21 June 2013, available at http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=41056#.VAw6IcJ_vTo; "Department of Defense Press Briefing with Secretary Hagel and Gen. Chang from the Pentagon", US Department of Defense, 19 August 2013, available at <http://www.defense.gov/transcripts/transcript.aspx?transcriptid=5289>.

5 "America's Future in Asia", Remarks As Prepared for Delivery by National Security Advisor Susan E. Rice at Georgetown University, Gaston Hall, Washington, DC, 20 November 2013, available at <http://www.whitehouse.gov/the-press-office/2013/11/21/remarks-prepared-delivery-national-security-advisor-susan-e-rice>.

6 Hugh White, *The China Choice: Why We Should Share Power* (Oxford: Oxford University Press, 2013).

Middle-power cooperation as a new approach to East Asian regionalism

Such strategies cannot be effectively constructed by any single country, including Japan. A truly equal partnership is the key to building cooperation among Chinese neighbours, with a view to consolidating effective infrastructure of a transforming regional order. I call such an approach a middle-power strategy, and wish to argue that applying such perspective to cooperation between Japan and other Asian countries has become increasingly important at a time when the rise of China has become the organising principle in the transformation of an order in Asia and the role of the US is being re-examined.

It seems that the US and China have different geopolitical end goals. The US goal, shared by many liberal democracies in the world, is to integrate China into the liberal international order. The Chinese objective, as implied by the Chinese desire to construct a new type of major power relations with the US, is to create a China-centred Asia absent of US influence and accepted by the US. The concept of middle-power cooperation can provide an important theoretical perspective for a new logic of regional cooperation in East Asia.

“Middle power” is not about the size of a nation; rather, it is a strategic concept. A middle-power strategy is characterised by the absence of unilateralism, which is a defining trait of the thinking and behaviour of a great power. As such, a middle-power strategy involves not directly and unilaterally engaging in balance-of-power games among great powers. Its strengths can be exerted most effectively in the middle ground between great powers, primarily in the domain of soft security through mutual cooperation among middle powers.

In regional security, non-traditional security cooperation among middle powers is a natural first step towards building a regionalism based on middle-power strategy. The Japan–Australia Joint Declaration on Security Cooperation, signed in March 2007, is an example of such non-traditional security cooperation between middle powers. South Korea and Australia signed a similar but much more comprehensive agreement in 2009: the Joint Statement on Enhanced Global and Security Cooperation between Australia and the Republic of Korea. A similar initiative was begun between Tokyo and Seoul towards the end of the Lee Myung-bak administration and

the militaries of Japan and South Korea almost completed a bilateral Acquisition and Cross-Servicing Agreement (ACSA). Trilateralising non-traditional security cooperation among the three middle powers of Japan, Australia, and South Korea, and expanding it to a quadrilateral arrangement by including ASEAN, would constitute an important step towards multilateral security cooperation in the region.

Whether and how regional middle powers can cooperate in setting the agenda and providing the drive towards regional integration will remain critically important in working with China and shaping the region in the years ahead. The issue, in the short to medium term, is of middle powers finding a survival strategy amid a shifting power balance between the US and China, which, in the long run, should strengthen their common ground and provide a basis for them to coexist with a strong China.

The foundation for this regional cooperation would be the universal values of the post-modern civil societies in many middle powers in East Asia. In this sense, the hope in the long term lies with Chinese liberal internationalists. After all, China's economic success is the result of Chinese engagement with the post-war liberal international order. In order for China to continue to grow, let alone to tackle the problems that will arise in the years ahead, it has to remain within the system. Therefore, middle powers in East Asia need to construct a long term "civil society strategy", which will enable them to build networks of communication and relations with Chinese civil society.

ECONOMIC INTERDEPENDENCE

Richard C. Koo

China and the US-led international order

7

China's rise has made many of its Asian neighbours nervous, since they recall the conflicts that accompanied the rise of Germany and Japan during the last century. The Chinese government's growing willingness to confront and intimidate its neighbours in its territorial disputes is adding to their concerns. However, the post-World War II era has seen a major fall in military conflict involving developed countries. Although the change is most frequently attributed to the deterrent of mutually assured destruction that emerged during the Cold War, another often overlooked contributing factor was the introduction of free trade by the United States after 1945.

The post-war regime change in world trade

For centuries before 1945, many people believed that economic growth required territorial expansion so that rising powers could secure factors of production, such as land and raw materials, and markets for finished goods. With trade barriers and high tariffs the norm, each country tried to expand its sphere of influence through conquest and colonisation as well as through the establishment of customs unions or currency zones such as the sterling bloc and the dollar bloc. The zero-sum nature of this approach led to many wars set off by countries that were in pursuit of territorial gains.

But after two bloody world wars, the US, faced with the need to rebuild Japan and Western Europe quickly in the face of Communist advances, introduced the system of free trade. Under the new system, anyone who could offer competitively priced products was able to sell to anyone else, as long as the countries involved in the arrangement agreed to a set of rules concerning market access. Although the concept of free trade existed and was practised occasionally before 1945, the near-unilateral opening of the vast US market to the world after 1945 provided opportunities that were previously unthinkable.

Japan was the first country to recognise the economic significance of this new regime. Its leaders realised that, as long as Japan was capable of producing goods that could be sold competitively in the US, it would be able to prosper without territorial expansion. Japan, therefore, directed its best and brightest to develop and build products for the US market while allowing Washington to decide a whole range of diplomatic and military issues for the country. Post-1945 Japan became a largely pacifist country not only because its people were sick of war, but also because it realised that military conquest was no longer required for economic growth. During this period, many high-end products made in Japan were sold only in the US, because the average Japanese person could not afford them.

This strategy was so successful that Japan became the world's second-largest economy in 1968 – just 23 years after suffering near-devastation in World War II. Japan's success led Taiwan and South Korea to follow suit and achieve equally spectacular results. Their success was repeated by Southeast Asian countries such as Thailand and Malaysia. Indeed, almost all the Asian countries that succeeded in achieving economic growth after 1945 did so by tapping the US market. This promise of access to the world's largest market was one feature of the US-led alliance that the Soviet Union could never match.

China joined the free trade movement when Deng Xiaoping opened up the economy in 1979. The following three decades saw the greatest example of economic growth in human history. A nation of one billion people, with a per capita GDP of \$313 in 1980, became the world's second-largest economy, with per capita income an estimated \$7,572 in 2014. In the process, China's trade surplus with the US rose, climbing to \$319 billion in 2013 – the largest recorded by any US trading partner.

China's economic growth was spearheaded by businessmen from Taiwan and Hong Kong, who saw China as an ideal manufacturing base. They were soon joined by businesses from all over the world, and in less than three decades China was transformed from an agrarian society into the “factory of the world”. The role that foreign businesses played in China cannot be underestimated, given that there were no businessmen in China in 1979 – they had been almost entirely wiped out by the Communists during the previous 30 years. These foreign enterprises were willing to invest in China because they could sell the goods they produced there anywhere in the world. If free trade had not made it possible to sell goods abroad, the Chinese economy would have taken far longer to reach its current level of economic development.

The Chinese government also played its part, making full use of its totalitarian authority to create essential infrastructure more quickly than any country had ever done before. The Communist government's wide-ranging powers enabled it to build in less than a year a highway system that would have taken more than a decade to construct in a democracy. But the key condition for this historic growth was the access to raw materials and overseas markets opened up by the free-trade system.

The futility of territorial expansion

This spectacular economic growth provided the means for the development of China's military capabilities, which now include advanced systems that range from stealth fighter planes to nuclear attack submarines. But Chinese hawks are in a different position from their German or Japanese counterparts in the 1930s. China's rise is taking place in a world in which territorial expansion is no longer viewed as a necessary condition for prosperity. On the contrary, any government that pursues an expansionist policy today is putting its economy in grave danger, for two reasons.

Firstly, present-day global supply chains involve many different countries and so could be jeopardised by one country's efforts at territorial expansion. Trade in intermediate products in Asia is huge, with companies in different countries specialising in different stages of production. If China were to instigate a territorial dispute with one of these countries, it would come to be viewed as a very risky destination for production and investment by both Chinese and foreign companies. Any such action would seriously damage the nation's appeal as a manufacturing base and slow down its economic growth.

Secondly, any country pursuing territorial expansion would very likely be denied access to global markets, which could prove fatal for an export-oriented economy such as China's. Access to foreign markets has always been a privilege, not a right – and as Russia's loss of access to Western markets and financing following its much-criticised annexation of Crimea has demonstrated, the privilege can easily be rescinded. The export-led Chinese economy is even more dependent on foreign markets than the Russian economy is, so loss of access would deliver a devastating blow to the Chinese economy.

China is itself becoming the world's largest market for many goods, including automobiles, but its per capita income remains a fraction of that in Japan and

the West. Chinese people are still expecting improvements in their daily lives, and if the closing of overseas markets were to prevent the government from delivering higher living standards, it could find itself faced with a frustrated and dissatisfied population. China has passed its Lewis Turning Point – the point at which the supply of cheap labour from rural areas is exhausted. That being so, public demands for everything from better pay to civil rights are likely to increase, as workers gain bargaining power for the first time.⁷

China's spectacular economic growth, which has given its government and military so much confidence and power, is still predicated on the American-led free trade system. Once per capita income reaches sufficient levels, China may be able to leverage its truly vast market for diplomatic and other objectives in the same way that Washington has leveraged its market since 1945. But that time has not yet come. Given its highly unfavourable demographics – its working age population has been shrinking since 2012 – China cannot afford to engage in territorial disputes that would add nothing to its economic growth and could decrease its prosperity.

The danger of miscalculation

This reality should make Chinese leaders more cautious on territorial issues. However, most of today's leaders take economic growth based on free trade for granted, because they have no experience of the trade arrangements that preceded it. Many in China also feel justified in trying to take back what was lost when the country was humiliated by foreign powers. Indeed, some in China are of the view that the country should take back everything it lost since the Opium War of 1840–42. That would include Vladivostok, which was ceded to Russia in 1860.

Such an approach could lead to miscalculation if China pushed for territorial gains without realising that their actions could jeopardise its access to world markets. Although China has been by far the greatest beneficiary of free trade, some of those in charge do not realise that the post-1945 regime of free trade, on which their prosperity is based, is predicated on the integrity of present territorial arrangements.

⁷ For further discussion of this point, see chapter 6 of my *The Escape from Balance Sheet Recession and the QE Trap* (Hoboken, NJ: John Wiley & Sons, 2014).

Both Asia's safety and the prosperity of the Chinese people, therefore, are dependent on Chinese leaders' ability to contain any popular yearning for the pre-1945 notion of national greatness. This change in mindset will not be easy; Chinese schools and media have constantly reminded people of the nation's poor treatment at the hands of the West and Japan prior to 1945. But unless Chinese leaders put this way of thinking to rest, the nation's economic future and Asia's security will remain hostage to outbursts driven by outdated notions of national priorities that benefit no one.

Steven C. Wong

Hedged economic interdependence in Asia

Economic liberalisation and integration initiatives are the most important foreign policy strategies in East Asia. Given the territorial disputes and tensions in the South and East China Seas, the instability in the Korean peninsula, and the region's unsettled borders and non-traditional security issues such as natural disasters and pandemics, this may seem like a grand claim to make. But although there have been some accords, and more are being worked on, nothing as yet has been developed that can rival the Economic Partnership Agreements (EPAs) that constitute the most visible and tangible manifestation of regional (and bilateral) interstate relations.

How are we to interpret the many EPAs, some overlapping and others exclusive, which have been and are still being proposed and created? Are they simply proof that East Asian countries, some of which have traditionally been seen in the West as “closed” or “mercantilist”, have now seen the light and are embracing economic liberalism for its own sake? Or have other factors, forces, and facets encouraged their proliferation? Many, if not most, of the region's policy analysts have little doubt that East Asian EPAs are towed along by strong political and strategic undercurrents. The real question, though, is: to what end?

This essay argues that what is taking place is a search for a hedged economic interdependence that reflects the diversity of the interests of countries in the region. Interdependence is not necessarily a hard-to-reach and lofty end goal, but rather, it can emerge as the consequential result of moves and counter-moves by states that reflect their desire for outcomes consistent with their national interests and security perceptions. With the possible exception of the Association of Southeast Asian Nations (ASEAN), which is striving for an ASEAN Community, the region at large is not driven by

communitarian philosophies and principles. For that reason, the use of the term “community” in relation to the region is, at best, an expression of a vision to be realised and, at worst, a misnomer.

Divergences in worldviews, national interests, and levels of power make it difficult and sensitive for the different states of the region to address political-security issues. EPAs have become a well-established way to avoid direct confrontation, work around problems, and engage in constructive interstate activities. They are significantly less problematic and provocative than regional security pacts and present a means to bide time while building and boosting confidence and trust.

It has only been recognised relatively recently that EPAs are not completely the “soft touch” that officials have made them out to be. For one thing, the nature of EPAs has evolved: they now tend to be more comprehensive and involve more obligations than they did before. Their finalisation, therefore, is never a foregone conclusion. Countries also face strategic consequences regarding their inclusion or exclusion from the various proposals that have been made. Whether the US is included or excluded has been an important dynamic in East Asian economic regionalism.

TPP as game changer

The US decision to enter the Trans-Pacific Partnership (TPP) agreement in 2008 was a game changer for the region. Before that, ASEAN had two projects before it: the East Asia Free Trade Area (EAFTA) and the Comprehensive Economic Partnership for East Asia (CEPEA). Neither included the US, which had chosen to move its economic initiatives forward through the Asia-Pacific Economic Cooperation (APEC) forum. China strongly backed EAFTA, which involved the ASEAN-10 plus China, Japan, and South Korea. CEPEA was supported equally strongly by Japan and included Australia, India, and New Zealand.

Faced with the dilemma of choosing between the two, and with six ASEAN members not participating in TPP, ASEAN came up with its own proposal: the Regional Comprehensive Economic Partnership (RCEP). Despite the reservations of less developed participants such as India and Indonesia, ASEAN spoke of RCEP as a “comprehensive” and “high-quality” agreement and opened negotiations that were more ambitious than it had ever

attempted before. Prior to this, ASEAN's EPAs with its dialogue partners were essentially agreements about trade in goods, with services, investment, and labour separately and laboriously negotiated.

In RCEP, services, investment, intellectual property protection, competition, and economic and technical cooperation are being negotiated for the first time in one agreement. Other matters being discussed are small- and medium-sized enterprises, e-commerce, and government procurement. While the similarity might be a coincidence, it seems likely that TPP, with its wider and deeper "gold standard" provisions, influenced the agenda for RCEP.

China was slow to respond to TPP, but it acted in the end. Many Chinese initially saw TPP as part of a US strategy of "containment", despite the fact that the US reached out at an early stage to encourage China to participate. China at first seemed on board, but its interest waned. China had opened bilateral negotiations with the US on investment and information technology (the first is currently stalled and the second has recently been concluded). It seemed that a more expansive, plurilateral EPA was not appealing.

China enthusiastically threw its weight behind RCEP, although it originally argued for the exclusion of Australia, India, and New Zealand. In RCEP, China had a more-or-less East Asia-only solution and did not have to put up with heavy-handed US pressure. Nevertheless, RCEP did not completely address the dilemma of how to engage the US, by far China's most important economic partner, given that TPP negotiations were well under way. At the November 2014 APEC summit in Beijing, China took steps to deal with the problem by pushing for, in effect, a restart of the Free Trade Area of the Asia Pacific (FTAAP), which includes all 21 APEC member economies.

China's new interest in this concept was ironic; when the US promoted FTAAP at the 2006 APEC summit in Hanoi, essentially as a means to counter the slow progress at the World Trade Organization's Doha Development Round and prevent the formation of an East Asia-only trade bloc, China was chief among the countries that expressed reservations. In 2014, however, the positions were reversed: the US's enthusiasm was qualified, as was that of its ally, Australia. Finally, the parties agreed to a "strategic" study, a watered-down compromise in comparison to the full-blown feasibility study that China had sought. The two-year timeframe of the study was considered to be long enough to allow for the completion of TPP before any further action could be taken on FTAAP.

Economic dependence and interdependence

It is often assumed that economic interdependence in Asia is creating the conditions for peace and prosperity and helping to weld the region into a more cohesive whole. But – if it were not already obvious – the dynamics described above show that competitive political and strategic interests have been vastly more important in determining the direction of East Asian EPAs than is usually thought. Right now, economic interdependence is still incomplete, since both TPP and RCEP have yet to be concluded. And if substantive and political difficulties are not resolved, their completion could prove elusive. Trying to instate obligation-heavy commitments (as opposed to the obligation-light ones that ASEAN has in the past undertaken) was always going to be a risky venture, a fact that many government leaders and officials did not – and do not – seem to appreciate.

As one would expect, there are holdouts – and, in the case of RCEP, large and uncompromising ones. China is adding more complexity to the situation, seeking a stronger bilateral EPA with ASEAN (what it calls the China–ASEAN FTA Upgrade), while simultaneously pursuing FTAAP to try to lock down its trans-Pacific interests. It is also strongly backing RCEP, although there are fears that it may be prepared to limit its commitment in favour of concluding the Upgrade. (China is, at the same time, pursuing a much broader, largely bilateral Asian agenda, characterised by initiatives such as the Maritime Silk Road and the Asian Infrastructure Investment Bank.)

The destination of institutionalised East Asian economic interdependence, therefore, is still unclear. Whatever the final outcome, it seems certain that East Asia will retain multiple arrangements and a complicated context.

What are the implications for peace and prosperity in the region? It is often assumed that economic power is uniformly distributed and that outcomes will be balanced. Countries will, in pursuit of their national interests, exercise self-restraint so as not to disrupt economic relationships that will hurt them.

There is (and has always been) a fine line between economic interdependence and dependence. While this may be an adequate enough representation of ASEAN, the totality of the national interests of large and dominant powers cannot be confined to the economic realm. On issues of sovereignty and security, economic interdependence alone is unlikely to be sufficient to provide a constraining force, as the state of the bilateral relationship

between China and Japan exemplifies. Given the extremes of size, capacities, and power of East Asian states, it would seem that unbalanced economic interdependence (or dependence) may be a more typical outcome, at least where small- and mid-sized states are concerned.

Unlike the members of the EU, East Asian states can and do have the ability to diversify their relationships and thus also their institutional EPA arrangements. The solution to avoiding one entity's domination is to seek what may be termed a hedged economic interdependence. The pursuit of this hedged economic interdependence is the driving force leading to the competing and rival proposals on the table in the region. East Asian states are too global and their national and security interests too dissimilar to adopt a "one size fits all" solution. This is what led to the developments that we are currently witnessing.

CHINA'S RISE

Why does Asia feel threatened by China's Rise?

China's spectacular economic and military rise is undoubtedly the most important development in international affairs in the twenty-first century. Confronted by an aggressive and chauvinistic China, which is determined to change both the established balance of power and the rules of international behaviour in its favour, many countries feel threatened. Deng Xiaoping's inherently opportunistic exhortation that China should "hide its capabilities and bide its time" has given way to Xi Jinping's hubristic "Chinese Dream". Unfortunately, that dream has become a nightmare for many of China's neighbours.

Previously dormant territorial disputes have flared up, in particular with India, Japan, the Philippines, and Vietnam. China's military spending and capabilities have sharply increased. The focus of China's military modernisation and expansion programme is the People's Liberation Army (PLA) Navy, whose presence and activities now extend beyond the Western Pacific into the Indian Ocean. Perhaps China's main objective is indeed to ensure the safety of its trade and energy sea lanes, but its actions also encroach on the security space of other countries. China's growing insecurities in Tibet and Xinjiang have propelled it to seek influence, if not control, in smaller neighbouring states that border Tibet and Xinjiang, such as Nepal, Afghanistan, Tajikistan, Kyrgyzstan, and Kazakhstan. Pakistan, of course, remains its "all-weather friend".

Meanwhile, China's relentless growth continues. It has huge foreign-exchange reserves, investible capital, and an immense market, and its emergence as the workshop of the world has hollowed out domestic industries in many countries. All this means that governments and private businesses must keep the door open to doing business with China, particularly as, at present, no comparable driver of the global economy exists. China's strategy – to suck other

countries into its economic orbit – combines a mix of old-fashioned bullying, bribery, pandering to corporate greed, and strategic foreign assistance to its own companies as well as to foreign governments. China is a magnet that both repels and attracts.

At the global level, the only credible countervailing force to China is the United States. However, despite the US's "rebalancing" to Asia, many Asian countries – and even the US's treaty allies – remain unconvinced that they can rely on the US in a time of crisis. Rather, they fear that the US and China could form a "G-2" combination that would relegate the rest of the world to an inferior position. At the same time, China and the US are competing to create free trade arrangements: the US-supported Trans-Pacific Partnership (TPP) is countered by the Chinese proposal for a Free Trade Area of the Asia-Pacific (FTAAP). The overarching goal of US foreign policy is to retain its status as the number one power in the world, while China seeks to knock the US off its perch by the middle of the twenty-first century.

Under siege from the West and heavily dependent on China's energy market and on Chinese investments, Russia has reconciled itself to being a junior partner to China. Having resolved its territorial dispute with China almost two decades ago, Russia no longer regards China as a security threat. The two countries appear to have come to an understanding: in return for China not creating difficulties for Russia in Europe, Russia will be supportive of China's strategic plans in Asia. In this way, China has neutralised an important neighbour. Europeans, too, have primarily economic interests in mind in their dealings with China; they prefer not to confront China on security issues that they do not see as directly affecting Europe.

India's most difficult foreign policy challenge

China's Asian neighbours cannot afford to be so sanguine. For example, China is India's most difficult and complex foreign policy challenge. As well as coming to terms with the global balance of power, which has changed in China's favour, India must also counter China's strategy of hemming in India to prevent its emergence as a possible Asian competitor. Above all, India has to find ways to deal with China as a neighbour. Among the most contentious issues between India and China is the 60-year-old unresolved boundary dispute, which has been complicated of late by China's exaggerated and preposterous territorial claims, its hardened public posture, and its dilatory

tactics in the effort to find a solution. Tibet remains another sore point, with China suspicious that India is abetting Tibetan separatism and India deeply concerned about China's militarisation of the Tibetan plateau as well as about Chinese moves to build dams on, or even divert, the waters of rivers that rise in Tibet and flow into India.

On some global issues, India's interests converge with China's, and on others they diverge. Both countries want to restructure and reform the functioning of international bodies, particularly the Western-dominated international financial institutions. India and China cooperate within the framework of the increasingly credible BRICS grouping of Brazil, Russia, India, China, and South Africa, which represents a balancing sub-group to the G-7 within the G-20. India has joined the BRICS New Development Bank and supports China's proposal to set up an Asian Infrastructure Investment Bank. A Russia–India–China dialogue mechanism has existed since the turn of the century. India and China have been cooperating for some time on issues such as climate change (through the BASIC group of countries, which comprise Brazil, South Africa, India, and China) and trade (through the World Trade Organization). But their positions are now beginning to diverge. China remains reticent about supporting India's permanent membership of the United Nations Security Council, does not recognise India as a nuclear power under the Non-Proliferation Treaty, and has not supported India's bids to join technology denial regimes such as the Nuclear Suppliers Group, the Missile Technology Control Regime, the Australia Group, and the Wassenaar Arrangement.

At the regional level, because of the power asymmetry between China and its neighbours, no country can take on China individually. China's strategy for the next few decades appears to be to establish its dominant position in Asia (to make of itself a new "Middle Kingdom"). Japan presents a roadblock, but not a long-term threat, because it is much smaller than China as well as being resource-poor. The only possible competitor is India, because of its comparable size, population, and propitious location in the heart of Asia. For many decades, China has used Pakistan to keep India in check. Recently, as its ambitions have soared and its pockets have become deeper, China is making bold forays into other countries in South Asia, such as Nepal, Bangladesh, Sri Lanka, and the Maldives, to try to remove them from India's sphere of influence. It is openly trying to muscle its way into the South Asian Association for Regional Cooperation (SAARC). And its push for an economic corridor from Yunnan to India via Myanmar and Bangladesh (the so-called BCIM Corridor) seeks to bring India's sensitive northeast region (where China claims the Indian state

of Arunachal Pradesh) into China's sphere of influence. China's proposals for a China–Pakistan transport and energy corridor, the Maritime Silk Road, and the new Silk Road Economic Belt are all seen by India as being contrary to its interests. Certainly, these initiatives are premised on an Asian order crafted and dominated by China. India's response has been to rebuild ties with its immediate neighbours, which had been neglected over the last decade or more, and to strengthen partnerships, including on security, with Australia, Japan, Vietnam, and the US.

Security issues are at the top of India's bilateral agenda with China. India's Prime Minister Narendra Modi made it unambiguously clear to China's President Xi Jinping during Xi's visit to India in September 2014 that peace and tranquillity on the India–China border “constitutes the foundation of mutual trust and of our relationship” and that the two sides must build mutual trust, confidence, and respect for the other side's concerns and sensitivities.⁸ Equally, prudence and common sense dictate that India's interests would not be served by a relationship of perennial tension and antagonism with a large and powerful neighbour such as China. Nor can India ignore the potential for Chinese investments in India to develop India's infrastructure and manufacturing sector, both essential to boosting India's economic growth and development. That is why India agreed during Xi's visit that development partnership should be a core component of the bilateral relationship. Among other things, the two countries will hold dialogues on strategic economic and financial matters. China has pledged to invest \$20 billion in India to set up two industrial parks and a railway sector project. Some progress on economic cooperation, as well as mutual security concerns, can be expected during Modi's proposed visit to China in May 2015.

Of course, India is unlikely to permit Chinese investment in sensitive sectors such as telecommunications. India's divided response to China is also influenced by China's success story, which has won it many Indian admirers, and by its “strategic economic assistance” that has created many pro-Chinese lobbies and vested interests in India.

⁸ “Press Statement by Prime Minister during the visit of President Xi Jinping of China to India”, Indian Ministry of External Affairs, 18 September 2014, available at http://mea.gov.in/Speeches-Statements.htm?dtl/24014/Press_Statement_by_Prime_Minister_during_the_visit_of_President_Xi_Jinping_of_China_to_India_September_18_2014. The official English translation does not accurately reflect the nuance in Modi's remarks.

Finally, China is also divided about India. There are strategic “hawks” within the Chinese Communist Party as well as within the influential PLA. But other, more thoughtful Chinese policymakers realise that, despite its many contradictions and inefficiencies, India has done quite well economically with a more efficient use of resources and capital, and that its political system and social structure is more stable than China’s. If India were to actually get its act together under Modi, then it could become a serious challenger to China in Asia, particularly if the US and Japan become India’s strategic partners. Thus, China needs to engage India constructively.

Kazuhiko Togo

10

Chinese civilisation and foreign policy

China's rise began in 1978 with Deng Xiaoping's "reform and opening" policy. After the Tiananmen Square incident in 1989 and Deng's Southern Tour in 1992, which cemented support for the leader's economic reform agenda, the shape of China's rise became clearer: it would be sustained by a combination of economic opening and political monopolisation of power. Since then, China's emergence has continued: in the 1980s, its economic importance grew; from the 1990s, its political weight increased; from the 2000s, its military strength has grown; and in the 2010s, its cultural rise began with Xi Jinping's commitment to fulfil the "Chinese dream" and realise "the great rejuvenation of the Chinese nation" through that "Chinese way".⁹ What do these different aspects of China's rise mean for the rest of the world? This essay examines China's rise from realist, liberal, and constructivist points of view.

Realism and liberalism

From a realist point of view, the issue is relatively simple. The rise of China means an increase in China's power – above all, in military terms. Realists see three consequences to this. First, China is seeking hegemony in East Asia. This explains China's increasing naval power, its Anti-Access/Area Denial (A2/AD) strategy aimed at shutting other powers such as the United States out of the region, and the theory of the first and second island chains.

Second, China's rise means it will expand its activities at the global level. China now needs energy and mineral sources from Africa and possibly from South America, which makes it essential to the country's development that it should

⁹ "President vows to bring benefits to people in realizing 'Chinese dream'", *Xinhua*, 17 March 2013, available at http://news.xinhuanet.com/english/china/2013-03/17/c_132240052.htm.

have maritime transportation capacities. In addition to the western part of the Pacific Ocean, its other priorities will now be the Indian Ocean, which connects China to Africa, and the eastern part of the Pacific Ocean, which connects China to South America and thus means it must take action closer to the US sphere of influence.

Third, to ensure it can engage in regional and global activities, China will continue the double-digit rise in its military budget – and it is assumed that real defence expenditure is far higher than what has been published. Much of the money spent so far has gone on increasing China's naval power, including the development of 60 submarines and aircraft carriers. So far, China has only imported one aircraft carrier, from Ukraine, but it has plans to build its own aircraft carriers.

One country in the world has the power and the will to resist the hegemonic rise of China: the US. The US “pivot” to Asia and the deployment in the Pacific of the US navy, which has 11 aircraft carriers, demonstrates American capabilities and will. Asian countries such as Japan and South Korea have structural reasons to distance themselves from China and to align with the US to preserve their position and avoid being subjugated by China. Even Russia has an interest in taking a similar approach. If the US and these regional players could deploy sufficient deterrence so as to prevent China from taking over alone, then China's hegemonic behaviour would stop. Based on this new balance of power, China would no longer be a divisive power.

From a liberal point of view, China's rise is also relatively simple. When the Cold War ended, the world seemed to believe that the fundamental values of democracy, respect for human rights, and the rule of law had become global governing principles. But Tiananmen Square and its aftermath demonstrated that China did not accept these values, which have their origins in Western civilisation. China's actions in Tibet and Xinjiang, as well as against human rights activists inside Han-dominated China, indicate that the kind of society at which China is aiming does not share the democratic values and rule of law practised in the West. In that sense, China is divisive.

From this perspective, the minimum that the West needs in order to coexist with China is that China does not expand and enforce a “Chinese way” that contradicts Western values. Freedom of navigation, which the US claims as a fundamental principle of the international rule of law, must be maintained in the South China Sea. China's aid policy in Africa, where it supports countries

that carry out atrocities, has been met with strong objections in the West. Democratic countries may hope that pressing China on specific occasions to respect human rights could bring about a gradual change in China. But, ultimately, liberals can recognise that not all societies are perfect in implementing democracy, which may take some of the heat out of criticisms of China over its failure to adhere to democratic values. As long as China shares the fundamental goal of respecting human rights, even in a Chinese version, it may be possible to avoid the emergence of a structural divide between the West and China.

Constructivism and Confucianism

The constructivist view of the rise of China is more complex. Realism and/or liberalism can help to explain Chinese assertiveness. But neither can explain why China has begun to argue that it is pursuing something beyond power or values as defined by the West, and that the society it is aiming to create is the fulfilment of “a Chinese dream” and the realisation of “the great rejuvenation of the Chinese nation”. It may be that the quest for the great rejuvenation of the Chinese nation has just begun and that the Chinese themselves do not know yet. But in order to understand present-day China, and, in particular, how divisive it is, it is necessary to understand how the greatness of the Chinese nation is perceived. The key concept here is “cultural identity”, which may also be defined as a new Chinese civilisation. By “civilisation”, I mean such characteristics of cultural identity that are sufficiently broad and universal to affect the fundamental direction of mankind.

The constructivist view, based on the idea that ultimately what determines state action is a shared identity, looks at the civilisational direction of Chinese cultural identity. Western theories of international relations can help us understand the implications of China’s rise. But to understand its direction, we need to follow a completely different paradigm: one that analyses Chinese history, tradition, philosophy, and religion, and examines how these factors may or may not influence contemporary China.

What, then, are the traditions, history, and ways of thinking that have given China a cultural identity that has a civilisational character? Confucianism is the first tradition and culture that comes to mind.¹⁰ Chinese Confucianism underwent a huge rupture under Mao Zedong, in particular during the Cultural Revolution (1966–1976). But when Deng Xiaoping took over, the

Chinese government allowed more or less open criticism of the rigid Socialist-Maoist thinking of the recent past. At first, this involved criticism of the entire past. It was only after Tiananmen Square and the end of the Cold War in the 1990s that a gradual diversification of political thought took place and free thinking became possible. In the 2000s, Confucianism began to spread among Chinese intellectuals. It found expression in the establishment in 2004 of Confucius Institutes to promote Chinese language and culture abroad. Hu Jintao defined his main political objective as building a “harmonious society”, which also has a Confucian ring.¹¹

Among the leading scholars who have promoted Confucianism since then, there are two broad directions. The first direction includes the academics Gan Yang and Pan Wei, and aims to use Confucianism to supplement, justify, and strengthen the role of Chinese Communist Party (CCP) governance in China. The second direction, which includes Kang Xiaoguang and Yao Zhongqiu, aims to use Confucianism as a tool to criticise and improve CCP governance. Although it would be incorrect to claim that this second direction is about democratisation, it does come much closer to Western democratic thinking.

Other Chinese intellectuals fall somewhere in between these two approaches. Jiang Qing, one of the most authentic Confucian scholars, developed the concepts of “political Confucianism” and “Confucian constitutional governance”. Both concepts are firmly based on the legitimacy of Confucianism. He has written about Confucius’s *Spring and Autumn Annals* and its commentary *Gongyang Zhuan*, in which the criterion for good governance is “virtue” rather than force. Although Jiang does not advocate the introduction of Western-style democracy to China, he does support a modern political system of checks and balances.

The question, of course, is whether concepts such as “virtue” have any influence on domestic or foreign policy in China today. If they do, constructivism may be a useful addition to realism and liberalism

¹⁰ This analysis of Chinese Confucianism is based on Takida Go, “Gendai Chuugokuno Aidentitito Dentou [Identity and Tradition of Contemporary China]”, the Institute for World Affairs, March 2014, available at http://www.kyoto-su.ac.jp/project/kikou/sekaimondai/kenkyu/pdf/20131008_kenkyu03_4.pdf. Takida’s article is also introduced in Kazuhiko Togo, “Beyond Power, Interests and Identity: in search of ‘Asian Thinking’ to Build Trust in East Asia”, in Kazuhiko Togo and GVC Naidu (eds), *Building Confidence in East Asia: Maritime Conflicts, Interdependence and Asian Identity Thinking* (New York: Palgrave Pivot, 2014).

¹¹ The notion of “harmonious society” first appeared at the Fourth Central Committee of the 16th period of the CPC, held in September 2004. See Yasuo Onishi (ed.), *China: Hu Jintao’s Challenge* (Tokyo: IDE-JETRO, 2006), p. 18.

in understanding China and the implications of its rise. But since this kind of thinking in China is at an embryonic stage, it is not possible to give any definite answer at this stage. From the point of view of Japan – an Asian nation that lived in the Sinocentric world but was able to ensure a detached position from China, particularly during the Edo period (1603–1867) – it may well raise questions about the nature of emerging Chinese thinking about Asia. Japan's view of the nature of emerging Chinese thinking about Asia may open new possibilities for analysis of Asian thinking.

AFTERWORD

Volker Stanzel

China's neighbours and Europe

For almost two centuries, the overriding vision of Chinese leaders, regardless of their political orientation, has been to make China “rich and strong” (*fuqiang*). Mao could have exceeded the typical conception of this ideal when he envisioned China leading a worldwide communist revolution – if he had indeed been serious about that ambition. But clearly, the newest narrative is the first to truly go beyond the traditional goal: Xi Jinping’s “Chinese Dream” aims not just to see China prosperous, but to return China to its “rightful” place in the world.

The objective of becoming rich and strong is a logical one. It stakes out a position against the colonial objectives of the West during the nineteenth century and of Japan during the twentieth century. It promises to overcome China’s weaknesses and it reassures the Chinese people about their inherent strengths. It is not a vision directed against other peoples (except the colonial conquerors, of course). Every country wants to be “rich and strong” and none would want to deny any other country the chance to possess these qualities. But the “Chinese Dream” is different. The idea was first put forward by a retired armed forces colonel, Liu Mingfu, in a book published in 2010.¹ He maintained that the China Dream meant that China was “to be Number One in the world”. Xi quickly took up the notion – he spoke of it even before he became secretary-general of the Communist Party of China in November 2012. Now, Xi promotes the dream that China can become again what it was for “a thousand years”, according to Liu, looking back to a time when China dominated East and Southeast Asia politically, culturally, and militarily.

¹ Liu Mingfu, *China Dream: The Great Power Thinking and Strategic Positioning of China in the Post-American Age* (Zhongguo meng: hou meiguo shidai de daguo siwei zhanlue dingwei) (Beijing: Zhongguo youyi chubanshe, 2010).

To a Western observer, the big question is how this notion pertains to the present state of the international community and its norms. The question that it poses for China's neighbours is more fundamental and of greater immediacy. For them, it is no bad thing that China today occupies a position that is not "Number One". They have developed independently of China since the end of the colonial period, or the Second World War. During the first 40 of those 70 years, China was poor, backward, and internationally isolated. It had little relevance, except when it played the role of troublemaker by, for example, supporting North Korea or various revolutionary movements around the globe, threatening Taiwan, attacking India or Vietnam, or fighting the Soviet Union along the Ussuri River. After that came 30 years of Deng Xiaoping's policy of "reform and opening", when China little by little improved its relations with all its neighbours and drove economic development forward. China's desire to return to its "rightful" place, therefore, confronts China's neighbours with a much more existential question than it does China's Western partners.

The development that these countries have experienced over several decades has brought about their gradual evolution from military or communist dictatorships to modern, often democratic or quasi-democratic societies. It also meant an economic transition to successful market economies, the most fruitful of which belonged to Japan and the so-called four tigers (South Korea, Taiwan, Hong Kong, and Singapore). The modernisation of society brought more rights and freedom for the individual, more opportunities for political participation, rule of law, accountability, and transparency – all of which were implemented imperfectly, but gave emancipation and advantages to citizens and civil societies in most Southeast Asian nations, the like of which they had not known before. Seventy years of experience with how democratic governance works in countries such as India, Japan, and South Korea has imprinted itself on public consciousness. On the world stage, these countries have learned to further their interests by searching for compromises with their partners, working within institutions or coalitions, taking others' objectives into account, and, by and large, accepting a kind of coalition management by the United States, whose "hegemony" might thus be seen as being of the softer variety. In short, these countries have gotten used to benefitting from the way that modern international society functions.

During the same period, China has walked a different path. While the country's economy has advanced rapidly, one-party rule has only become more sophisticated and efficient. For a succession of Chinese leaders – from

Mao to Xi – the objective has never been to complement economic change with political reform. Xi's goal today is what could be called the perfection – or, more in his terms, the adaptation to “Chinese characteristics” – of Leninist democratic centralism. Its components under Xi are: controlling the country and its administration through new party institutions and a better-guided and more competent party; reinforcing the system by furthering economic development; and securing the system in ideological terms. Transposed onto the international stage, that means increasing China's strategic and military power, improving its capacity to control its international environment through establishing new international institutions, bolstering the country's development by expanding its international economic activities, and safeguarding it ideologically by expanding the reach of China's soft power.

No country in China's neighbourhood wants to be forced to choose between accepting a China in its “rightful” place as “Number One” and maintaining its own path of development linked to the values of the international system. All of China's neighbours have benefitted from China's rise and the resulting interdependence with China. From their point of view, this is how things should remain, and their present predicament is mirrored in the essays of this book. The basic quandary is that the notion of China's “rightful” place is an anachronistic one, reflecting the idea of a clear hierarchy among nations (as China's then foreign minister, Yang Jiechi, said in Hanoi in 2010: “China is a big country and other countries are small countries and that's just a fact”).² Meanwhile, the international community of which East and Southeast Asian countries are a part is premised on norms of international behaviour that belong to this century, assuming the – at least formal – equality of nations. As a result, frictions are almost programmed into the relationship as long as China's development is confined to economic modernisation combined with political stagnation. Unless China adapts its Chinese Dream to the world of the twenty-first century, these frictions could even turn into armed conflicts. Thus, the countries in the region will continue a policy of economic engagement with China while at the same time playing it safe in political terms – but they will look to the US as a supporter of last resort.

Western observers of China's politics, society, and economy would do well to listen to the voices of China's neighbours, whose analytical sense has been

² See John Pomfret, “U.S. takes a tougher tone with China”, the *Washington Post*, 30 July 2010, available at <http://www.washingtonpost.com/wp-dyn/content/article/2010/07/29/AR2010072906416.html>.

sharpened by the problems inflicted upon them by the Chinese Dream. This is even more true for Europeans than for Americans and Australians, who are (distant) neighbours to China and see its reality more clearly. Europeans have become used to pushing forward their economic relationship with China. When they talk about their political engagement with China, their usual argument is that engaging a country economically on every level, through trade, investment, and scientific cooperation, also serves the goal of furthering political change. In this at least, they are correct. The changes that China's society has experienced are overwhelming. Whether in education, innovation, economic creativity, even human rights, the partial revolution that has taken place in the country as part of its economic development was unthinkable when Deng Xiaoping first launched his reform and opening policy.

The policy initiated by Deng has allowed China to benefit from the international system – for example, from the rules of the World Trade Organization. But now, as China begins to adopt its new approach, this system might be negatively affected. It may even be turned upside down in ways that will make not only China's neighbours suffer, but Europe as well. Conflicts in East and Southeast Asia will create a drag on that region's capacity to remain the world's growth engine. And the international system itself will suffer even greater damage. After the failure of US attempts to rid the world of "rogue" states in the wake of 9/11 and the superpower's partial withdrawal from its role as world leader (corresponding to the decline of its capabilities), the international system has grown even more dependent on strong support from those countries that constitute its mainstays. The international system is based on rules that create some sort of equality among its members, and on each country's commitment to following those rules. This gives each member a stake in its functioning. It is now in danger of being replaced by a more traditional system based on worldviews such as one country having a "rightful" place somewhere at the top, dominating the rest. Europe needs to realise that the trenchant changes occurring in Asia put at stake Europe's own influence on what the world will look like in the future. It is time, therefore, for a European "pivot to Asia", to borrow President Barack Obama's 2010 phrase. Europe must to a much greater degree become involved and engaged in Asian affairs, and it must reach beyond economic concerns to foster a greater sense of political and strategic responsibility.

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