

## Chapter Seventeen

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### **What Regional Order for the Asia-Pacific? China's Rise, Primacy Competition, and Inclusive Leadership**

#### **Executive Summary**

- China's rapid and sustained economic growth is putting it on a path to rival U.S. power and completely change the strategic environment in Asia.
- Managing the Sino-US competition for strategic primacy and keeping it peaceful will be the central task of the regional order that will emerge in the coming decades.
- None of the models thus far proposed – a concert of powers, a regional community, a strengthened Western order, and a neo-tributary hierarchical system – is feasible to perform that task.
- A regional order based on the principle of shared and inclusive leadership, of which APEC is a prototype, is both workable and capable of managing China's rise and great-power rivalry peacefully.

#### **Introduction**

The foundations of regional order in the Asia-Pacific are undergoing tectonic shifts. In 2010, China overtook Japan as Asia's largest economy, becoming second worldwide only to the United States in terms of gross domestic product (GDP). Parallel with the rise of China, other regional countries such as India, South Korea, Indonesia, and Vietnam are also getting more active and influential in regional affairs. With a strategic landscape that features the rise of China and other Asian powers, the Asia-Pacific is in need of a new regional order that is able to accommodate the transformed regional configuration of power and interests.

What regional order will be most effective in maintaining peace and stability in the Asia-Pacific of the coming decades? Answering this question entails examining how economic growth in the region will shift the regional balance of power and identifying what structural changes the emerging regional configuration of power will require from the current forms of regional governance. This chapter argues that the economic growth of China will cause the most dramatic change in the balance of power in the Asia-Pacific during the next few decades, and the management of great-power competition over regional primacy will be the central test for the new regional order. The chapter further contends that the best way to manage these epochal transformations is to create institutional arrangements that are flexibly adjustable to changes in regional primacy and are based on the principle of inclusive regional leadership, of which APEC is a prototype.

### **The Rise of China**

“The most important factor for the process of international political change,” said political scientist Robert Gilpin, “is the differential or uneven growth of power among states.”<sup>1</sup> The rapid economic growth of China has caused an intense debate over China’s rise and U.S. decline. Will China be a new superpower on par with the United States? Are we living in an era of power transition that will eventually lead to the passing of primacy from Washington to Beijing? The debate over China’s rise is polarized by two opposing views. One view anticipates that China will surpass the United States as the world’s largest economy and take over its position of international primacy. The opposing view believes that, given cracks and imbalances in its economy, China will soon experience “either a crash or, more probably, a Japanese-style multi-decade decline.”<sup>2</sup>

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<sup>1</sup> Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981), 93.

<sup>2</sup> Gordon Chang, “The Coming Collapse of China: 2012 Edition,” *Foreign Policy* (December 29, 2011).

A closer look at the sources and structure of Chinese growth reveals that both views may hit far from the mark. China's economy has grown nearly 10 percent a year throughout the past thirty-four years. Such a long period of very high growth in a large country is unprecedented in world history. The Chinese growth success seems to share with the rapid modernization of the Asian Tigers before it a similar set of "secrets" – integration into a liberal world economic order, the directional role of the state, and an emphasis on investment and technology. What sets China apart from the others is its record-high and record-long growth, which is owed to a "cult of investment" and a large set of imbalances, demographic, environmental, social, and political.<sup>3</sup> Chinese leaders have long been aware of these imbalances and have tried to redress them. However, large sections of the ruling elites, particularly the local governments and the state-owned enterprises, have vested interests in the imbalances, while some of the imbalances themselves are crucial for the solution of China's more immediate needs. As a result, China is trapped in its imbalances despite the political will to redress them. As China continues its investment-driven and export-led path, it will hardly be able to avoid a long period of stagnation in the future. However, none of the possible triggers of recession is likely to immensely derail China's growth in the near future. The immediate cause of China's "lost decades" is likely to be a debt crisis precipitated by the loss of the demographic dividend in a rapidly aging population, which no longer is able to save massively to keep the banking system afloat. As this is likely to become acute in the 2030s, China will likely enter a period of stagnation in two (not one or one-half) decades from now.

Notwithstanding its likely stagnation from the 2030s onward, China will have both the will and the wherewithal to seri-

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<sup>3</sup> This section is drawn from Alexander L. Vuving, "The Future of China's Rise: How China's Economic Growth Will Shift the Sino-US Balance of Power," *Asian Politics and Policy* (July 2012), 4:3.

ously challenge US preeminence in Asia. Even if China grows 7 percent a year in the 2010s and then slows down to 4 percent a year in the 2020s, it will overtake the United States as the world's largest economy by the mid-2020s. However, economic primacy is both conceptually distinct and practically distant from strategic primacy, while GDP does not tell the whole story about power.

In the first half of the nineteenth century, Britain's GDP lagged far behind China's, but the former defeated the latter in two armed conflicts commonly known as the Opium Wars, which marked the beginning of China's "century of humiliation." The prime resource of hard power is not wealth alone, but a combination of wealth and productivity. Around 1870, when Britain was at the peak of its global primacy, it ranked third behind the United States and Russia in GDP and third behind Russia and France in military expenditures. To get a better sense of Britain's relative power, one would rather look at the more limited domains of manufacturing, trade, finance, and naval power, where Britain was first.<sup>4</sup> An indicator that measures hard power better than GDP or military expenditures is "high-tech GDP," the value-added of the knowledge-intensive services and high-technology manufacturing industries. High-tech GDP provides a simple, approximate, and useful proxy for a country's hard power by expressing in an organic way the actual combination of that country's wealth, innovation, and productivity.

My study of the balance of hard power in Asia estimates that, at the beginning of the 2010s, the United States, Japan, and China are the strongest powers in the region, with the United States two times stronger than Japan and China combined, while China's high-tech GDP is slightly more than two-thirds that of Ja

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<sup>4</sup> Joseph S. Nye, *Bound to Lead: The Changing Nature of American Power* (New York: Basic Books, 1990), 39.

pan. In the next decades, however, the balance of power in Asia will undergo fundamental changes, the central driver of which will be the rapid economic growth of two Asian giants, China and India. If China continues its current trend in innovation, it may never catch up with the United States in terms of high-tech GDP. However, if China is as successful as Taiwan and South Korea have been in boosting productivity, Beijing's hard power will surpass Washington's by the 2030s. By 2040, China's high-tech GDP may reach between 70 percent and 120 percent of America's, while each will likely be at least three times stronger than India in terms of hard power. Japan will rank fourth, with its high-tech GDP equal to about 14 percent that of the United States (see Figure 1 and Table 1).

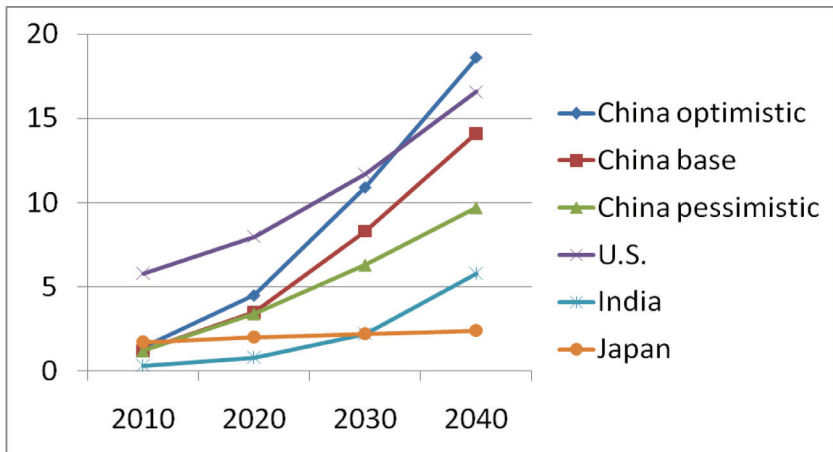


Figure 1. High-Tech GDP Projections, 2010–2040

Table 1

The balance of hard power in Asia, 2010–2040

	Percentage of the largest (%)				
	2010	2020	2030	2040	2040
<b>China (optimistic)</b>	24	56	93	n.a.	100
<b>China (base)</b>	21	44	71	85	n.a.
<b>China (pessimistic)</b>	21	43	54	58	n.a.
<b>United States</b>	100	100	100	100	89
<b>India</b>	5	10	19	35	31
<b>Japan</b>	29	25	19	14	13
<b>Largest power</b>	United States	United States	United States	United States	China

Source: Alexander L. Vuving, “The Future of China’s Rise: How China’s Economic Growth Will Shift the Sino-US. Balance of Power,” *Asian Politics and Policy* (July 2012), 4:3.

**Managing the Competition over Primacy**

The next decades will witness a contest for primacy between the United States and China. A regional order predicated on the premise of US primacy will be ill-equipped to manage this contest. What are the likely implications of China’s rise for regional order, peace, and war? This question has been debated for two decades. A large bloc in the debate, represented by realists, argues that Asia is destined for conflict. According to the realist logic, China will expand its interests in accordance with its growing capabilities and will ultimately aspire for regional hegemony. As Washington will not easily give up its position of primacy and India will also try to prevent China from becoming the regional master, Asia will be divided into opposing camps and conflict will be inevitable.<sup>5</sup>

<sup>5</sup> Aaron Friedberg, “Ripe for Rivalry: Prospects for Peace in a Multipolar Asia,” *International Security* (Winter 1993/1994), 18:3, 5-33; John Mearsheimer, “The Rise of China Will Not Be Peaceful at All,” *The Australian* (November 18, 2005).

Scared by these gloomy prognoses, others have proposed alternative ways to manage peaceful change. Some liberals call for strengthening the web of liberal institutions that has underpinned the US-centered and Western-led international system since the end of World War II. They argue that, buttressed by economic interdependence, characterized by liberal rules, and led by a wide coalition of Western democracies, this international order is capable of assimilating China.<sup>6</sup> Some other liberals and realists suggest the creation of a concert of major powers modeled on the Concert of Europe, which is thought to be responsible for the long peace in nineteenth-century Europe.<sup>7</sup> Also inspired by what happened in Europe, this time the long period of peace and prosperity after World War II, constructivists advocate the building of a regional community in which member states are bound together by a collective regional identity and shared political values.<sup>8</sup> Finally, drawing on East Asia's own history of a long peace from the fifteenth to the eighteenth century, an argument is made that, if the United States withdraws from Asia, the region will likely return to a stable hierarchical system similar to the tributary system, which is led by China and sustained by a shared geopolitical culture featuring restraint by the superior and submission by the lesser states.<sup>9</sup>

None of these options appears viable for managing the coming primacy competition in Asia. The Western-led liberal order is anchored in Western democracies that are also bound together in the U.S. alliance system. In Asia, these anchors – Australia, New Zealand, Japan, and,

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<sup>6</sup> G. John Ikenberry, "The Rise of China and the Future of the West," *Foreign Affairs* (January/February 2008), 87:1, 23-37.

<sup>7</sup> Susan L. Shirk, "Asia-Pacific Security: Balance of Power or Concert of Powers?" Paper at the conference on "Prospects for Multilateral Cooperation in Northeast Asia: An International Dialogue," Tokyo, 18-20 May 1995.

<sup>8</sup> Amitav Acharya, *Constructing a Security Community in Southeast Asia: Asean and the Problem of Regional Order*, 2nd ed. New York: Routledge, 2009; Rizal Sukma, "The Future of ASEAN: Towards a Security Community," paper at the conference on "ASEAN Cooperation: Challenges and Prospects in the Current International Situation," New York, 3 June 2003.

<sup>9</sup> David C. Kang, *China Rising: Peace, Power, and Order in East Asia* (New York: Columbia University Press, 2007).

to some extent, South Korea – are located at the margins of the region and not with the region's rising powers. Unless ASEAN members are transformed into Western-style democracies and, together with India, become US allies, a China that is powerful and self-confident will successfully resist rather than be assimilated into the liberal world order led by the West. More important, as the US-centered, Western-led international order does not allow Chinese primacy, it is unacceptable to a China that is approaching parity with the United States.

A concert of major powers seems, at first glance, to provide an appropriate framework for managing primacy competition among great powers, but, in actuality, its costs outweigh its benefits. If a concert of powers excludes the United States, its internal balance of power will tilt irresistibly toward China. It is not in the interests of Japan, India, Russia, or any other major powers to join such a concert, as it is no different from using its resources to cement Chinese leadership. If a concert includes the United States, it must be larger than a G-2 coalition of Washington and Beijing. A Sino-US condominium will be faced with relentless resistance from all powers in the region, including America's and China's closest allies and friends. Both Washington and Beijing will have to reassure their allies, and the only way to do so will be to include the allies into the framework, which will, in effect, transform the Group of Two into a Group of Many. A recent attempt by US President Barack Obama to create a US-China co-leadership has failed due to both the quiet resistance of US allies and the more vocal resistance of China. The costs for China in such a G-2 are threefold. One part of the costs is material, as China must shoulder the burden of responsibility. Another part is symbolic, as Beijing does not accept the role of a junior partner to Washington. A third part of the costs is structural, as the mechanism of the US-China co-leadership is to cement US primacy and Chinese playing second fiddle to America. Although Washington may think it is fair game, as the United States is still superior to China in every aspect of power, Beijing, anticipating the advent of its era, does not think so.

The competition for primacy and leadership will be peacefully managed within the framework of a regional community. However,



given its historical experience, Asia is not ripe for a regional community. For a community of nations to work, individual national identity must be superseded by collective regional identity. Most of the modern Asian nations are born out of colonial legacies and find themselves in the midst of the process of nation-building. A coherent national identity is thus of paramount importance for nation-building in these newly built, oftentimes even arbitrarily made, states. Unlike Europe, where nationalism has been inflicted decisive damage by the horrifying events of two world wars, Asia, which has been trying to rectify its colonial past, sees nationalism much worthier than regionalism, whether subnational or supranational. A community of nations is further characterized by shared political values. With a China that remains authoritarian and a Japan that is liberal, an East Asian community by nature, but not by name, is impossible.

Although the tributary system that governed China's relations with its neighbors was relatively stable in the pre-modern past, a similar hierarchical order centered on China is unlikely to be stable in the modern era. First, the Chinese world order of the past is based on a form of geopolitical self-perception and self-expression that can be called "culturalism." State elites perceived their country as a domain of civility rather than a nation. This way of self-definition was completely replaced by nationalism during the past two centuries. Nationalism has become both a core element of the ongoing process of state formation in Asia and an entrenched feature in the foreign-policy culture of many Asian states, most notably China, India, Japan, the Koreas, Vietnam, and Indonesia. A tributary system of the twenty-first century will face fierce and undying challenges from nationalist forces in the lesser states. Second, the stability of the Chinese world order of the past was made possible partly by China's preoccupation with threats coming from the nomads of Inner Asia. Due to the concentration of resources and attention to the northwest front, China had little time to intervene in the southeastern frontiers and had to tolerate foreign dominance in the maritime domain. This condition is reversed in the twenty-first century, as China's largest external threats are perceived

to come from the east and the south.<sup>10</sup> China has shifted its primary focus to these fronts and there are signs that Beijing does not shy away from adopting a confrontational posture toward India and the maritime neighbors in East and Southeast Asia. Third, the neo-tributary order centered on China is conditioned on US and Indian disengagement from East and Central Asia as well as Russian withdrawal from Central Asia. Although Chinese power is rising relative to those of the other major powers, Washington, New Delhi, and Moscow all are responding to the rise of Chinese power by increasing their interests and influence in the region.<sup>11</sup>

### **Inclusive Leadership and Its Prototypes**

The most viable option for peace and stability in Asia is a form of shared regional leadership that is inclusive not only of the major powers but also of other key players in the region. The shared and inclusive mode of regional leadership is the best form of international governance to peacefully manage primacy competition and power transition. For the sake of simplicity, let us call this option “inclusive leadership.” The strengths of inclusive leadership rest on two pillars. First, it has the support of the largest number of key actors. Second, it is flexible about primacy. The existence of a coalition of lesser states that can evenhandedly facilitate great-power rivalry makes it possible that inclusive leadership can accommodate different primacies and facilitate the peaceful transition of primacy. ASEAN, for example, constitutes a sizable coalition of small and middle powers that is able to play the role of a benign center of re-

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<sup>10</sup> Toshi Yoshihara, “China’s Vision of Its Seascape: The First Island Chain and Chinese Seapower,” *Asian Politics and Policy* (July 2012), 4:3.

<sup>11</sup> For American, Indian, and Russian responses to the rise of China, see Cheng-Chwee Kuik, Nor Azizan Idris, and Abd Rahim Md Nor, “The China Factor in U.S. ‘Re-engagement’ with Southeast Asia: Drivers and Limits of Converged Hedging”; Mohan Malik, “India Balances China”; and Rouben Azizian and Elnara Bainazarova, “Eurasian Response to China’s Rise: Russia and Kazakhstan in Search of Optimal China Policy,” in the special issue on “How China’s Rise Is Changing Asia’s Landscape and Seascape,” *Asian Politics and Policy* (July 2012), 4:3.

gional architecture building. Inclusive leadership is more viable than a strengthened Western liberal order, a concert of major powers, a regional community, and a Chinese-centered, neo-tributary hierarchy, because it is able to manage primacy competition peacefully and because it takes nationalism and national sovereignty seriously.

While not drawing from any established precedents of regional governance, inclusive leadership has found some prototypes in recent developments in the Asia-Pacific. The key multilateral dialogue forums present in the Asia-Pacific region are mechanisms of shared and inclusive regional leadership. Chief among them are the Asia-Pacific Economic Cooperation (APEC), the ASEAN Regional Forum (ARF), the extended East Asia Summit (EAS), and the newly established ASEAN Defence Ministers' Meeting Plus (ADMM+). These regional forums have demonstrated a remarkable capability to nimbly adapt to changing balances of power in the region.

Created in the late 1980s in anticipation of a new multipolar world that would replace the bipolar Cold War, APEC was deftly adaptive to U.S. unipolarity, which emerged in the 1990s and was dominant in the early 2000s, while maintaining its core principle of shared and inclusive leadership. This adaptive resilience is manifest in APEC's adoption of security issues and endorsement of the fight against terrorism in its agenda despite its initial definition as an economic forum that excludes security issues.

EAS is another example of how shared and inclusive regional leadership is adaptive to a changing balance of power. The original idea of EAS was to have a forum of "Asian" leaders, which meant to exclude the United States. It was originally thought to be an avenue toward regional community rather than a mechanism of inclusive leadership. At its inaugural meeting in 2005, Singapore's Senior Minister Goh Chok Tong argued that "East Asia cannot be extending to countries in the Pacific, for then even the political definitions would get stretched beyond belief." Notwithstanding the original vision, five years later, the ASEAN states decided to invite the United States and Russia to join EAS. From a stepping stone

for Chinese primacy, EAS has smoothly and, in a timely manner, morphed into a mechanism of inclusive regional leadership under US primacy. What is worth noting here is that the decision was made by a group of small states, ASEAN, which has gained significant credibility for being benign and evenhanded. As Goh Chok Tong stated at the Kuala Lumpur summit, “ASEAN does not threaten anybody and the big countries in the region will want ASEAN to play that facilitating role.”

Although currently reflecting US primacy, the shared and inclusive leadership mechanisms could one day easily endorse Chinese primacy. That is why China sees a strategic advantage in taking part in those forums. Unlike the G-2, they do not forestall Chinese primacy. There is a place under inclusive leadership for various leadership roles played by great powers and small states alike. For example, while emphasizing its own leadership in the region, the United States also endorses ASEAN’s central role in regional architecture building.

## **Conclusion**

As China and several other Asian countries are growing in power and activism, Asia is heading toward a new regional order. The central task of the emerging regional order is to manage the Sino-US contest for primacy. The vital strategic choices that are likely to face the region are a “new Cold War” and “inclusive leadership.” Asia will be peaceful and stable only if key players in regional affairs make inclusive leadership effective. One thorny issue in Asian international relations is the territorial disputes between China and its neighbors in the East China Sea, the South China Sea, and along the Sino-Indian borders. If mechanisms of inclusive leadership fail to solve these problems, states will likely resort to balance-of-power politics, thus strengthening the trend toward a new Cold War. There is a considerable chance for peace and stability, but the choices will be painful.