

The Meaning of China

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The world has been watching for China's rise for a very long time.

We all know of Napoleon's apocryphal statement; but even at the end of the Second World War,

- when China was devastated by decades of internal warfare and invasion,
- divided between warring armies,
- plumbing the depths of poverty and de-industrialisation,
- accounting for less than 5% of global GDP,

President Roosevelt included it among his "four policemen" of great powers that would steward global order from the Security Council of the United Nations.

26 years later, with China in the turmoil of the Cultural Revolution, and further impoverished by the Great Leap Forward (and still producing less than one-twentieth of global GDP) the United States was prepared to use it as the great swing player in its global tussle with the Soviet Union.

It is as if the world had kept a mental space for a Chinese great power, long before China had the material means to fulfill that role.

Now of course China is materially stepping into the role of a genuine great power.

The speed of China's rise is truly staggering.

On my colleague Mark Thirlwell's calculations, China's industrialization over a period of 26 years took Great Britain 120 years to achieve and the United States 43 years.

China is acquiring all of the accoutrements of command power but its gravitational effects on everything from global labour markets, finance, commodities and climate change demonstrate its status even more emphatically.

What it all amounts to is a big question – the biggest question we face – what will Chinese power mean for the world?

Let me start with a basic observation.

China is the only great power in modern history to have been a great power in the past.

This fact in itself tempts us to look at imperial China for a blueprint of how China will act as a great power in future.

It is tempting – but it is mistaken.

Modern China's situation is vastly different from imperial China's.

First, its loss of power and cohesion after 1842 was utterly different from previous episodes of imperial decline and replacement.

Before 1842, imperial Chinese dynasties were either challenged by their own kind, or by foreigners – the Mongols and the Manchus – who were soon acculturated to Chinese civilization.

Even in collapse and overthrow, Chinese civilization demonstrated its power and superiority.

After 1842, the pattern was completely different.

The foreigners who humiliated and dismembered Qing dynasty China had little interest in Chinese civilization.

To them, China's easy defeat was ample evidence of their racial, civilizational, technical and moral superiority over the Chinese.

The casual condescension and inescapable material strength of the West caused a deep psychic wound to the deeply hierarchic Chinese mind.

Chinese society has never been able to culturally or emotionally digest the shock of the West's ascendancy as it culturally and emotionally digested the Mongols and the Manchus.

This is a psychic wound that cannot be wished away or bought off, and it gives every situation in which China finds itself an added edge.

Second, China has to deal with other great powers, in a world order constructed to those other powers' preferences.

This, and a third difference, that China now exists in a world in which formerly subordinate societies are now its sovereign equals, is a profoundly unfamiliar situation for China.

For centuries, imperial China sat atop an international hierarchy.

Tribute was demanded from surrounding kingdoms in return for trading privileges; and an international hierarchy was necessary to a domestic hierarchy.

How could the Emperor be Son of Heaven within the empire's bounds and not beyond them also?

Then, in a very short time, China went from a position of international superiority to a position of inferiority.

This was an experience that made Beijing demand equality in international relations – even today it calls for the “democratization” of international relations.

Now I wouldn't go so far as to suggest, a la David Kang, that China has designs to build a new hierarchic order of power in Asia.

What I would argue is that the grammar and syntax of hierarchy are still very much hardwired into modern, post-revolutionary China.

And it is this hardwiring that finds a world of sovereign equals and great power condominiums disconcerting.

And barely had China begun to achieve some sort of equality and acceptance that it was suddenly catapulted into the front rank of the great powers.

Indeed, the power which China has yearned for for so long has caught it by surprise; arguably China is more surprised by and unprepared for its sudden rise than any other country.

With its sudden prominence has come the uncomfortable glare of expectations and scrutiny.

It brings to mind an observation made many years ago by Lucien Pye in his book, *The Spirit of Chinese Politics*: that with powerlessness comes an easy moral clarity; but with power comes the weight of great moral expectations and increased scrutiny of everything one does.

This brings me to the fourth difference.

Imperial China rested confidently in the knowledge of the moral and material superiority and legitimacy that radiated out from the imperial centre, and was acknowledged by societies beyond its frontiers.

Modern China lives in a world in which the great weight of moral and material prestige and legitimacy lie outside of China's borders – and more often than not press in uncomfortably on China's internal affairs.

To have been Chinese in the twentieth century was to have been constantly aware of the existence of the West as a non-stop critique of Chinese backwardness, disorganization and poverty.

This was the case whether or not the West was even paying attention to China; just by existing it was a constant reminder to the Chinese that China was morally and materially wanting.

More recently, and certainly since Tiananmen, the West has been a source of moral critique of the Chinese system.

And what makes this so difficult to cope with is the fifth difference.

Imperial China could, and periodically did, shut itself off from the outside world, but continued to exist as a self-contained civilization and society.

Modern China depends on trade and interaction with the outside world for its continued existence.

And its dependence on the outside world grows with each passing year.

Even if the Chinese government is successful in boosting the domestic consumption share of GDP above the currently astonishingly low level of 36%, China simply doesn't have the commodities to sustain its growth and economic viability.

International Energy Agency projections predict that by 2030, China will be dependent on imports for over 60% of its oil.

This brings us to the sixth difference.

The very self-contained (and self-satisfied) nature of imperial China meant that its maritime frontiers were only sporadically of interest, while its continental frontiers were a constant, nagging source of anxiety.

Modern China, following the collapse of the Soviet Union, has been able to reduce its obsessive concern with the security of its continental frontiers to a state not of comfort, but of stable watchfulness.

Beijing knows that things could suddenly go very wrong along China's western and southern frontiers, but at the moment the Shanghai Cooperation Organisation and the salve of trade and investment flows is keeping things stable.

China's maritime frontier, on the other hand, has become both a site of commercial dynamism and enmeshment with the world economy, but at the same time a source of gnawing concern about China's vulnerabilities.

Few people in this room, if they were a policymaker sitting in Zhongnanhai, would be completely comfortable about the prospect that in 20 years' time, more than 60% of China's oil will arrive courtesy of sea lanes guarded by the US Navy.

After all, the Americans don't have the most unblemished record when it comes to squeezing energy flows for leverage.

Just ask the Japanese about what happened before the Pacific War.

Or their NATO allies the British and the French about what happened during the Suez Crisis.

Understandably, China has been thinking hard about the US Navy's dominance of East Asian waters inside the so-called first island chain.

PLA Navy doctrine and capabilities have been developing for Beijing the capacity to deny the US Navy sea control within the first island chain.

We may be entering an era, Hugh White suggests, in which no country has command of the seas around Asia's coast; but several countries have mutual sea denial capabilities.

This is a new and unfamiliar situation.

And this brings me to my seventh difference.

The worldview of imperial China derived from and gave strength to its society wide cosmology.

When the Emperor was strong and virtuous, the harvests were abundant, the administration flowed effortlessly, society was stable, and the regular tributes flowed into the court.

But when harvests began to fail and rural unrest was on the rise, the tributes began to stop flowing and the Emperor became weak and venal.

In other word, all good things flowed together, just as all bad things seemed to coincide in time.

Modern China has discovered a strange new world, in which good things can give rise to bad consequences, and setbacks can have surprisingly positive aspects; in which the goods and the bads overlap and contradict each other.

It's revealed in a contradiction in which China's growing economic dynamism and integration has resulted not in respect and deference among China's neighbours and trading partners, but a growing nervousness about China and a renewed eagerness to stitch up security relations with the US.

It's revealed in the disturbing fact that China's remarkable economic development has violently tipped the terms of trade against itself, leaving Beijing to deal with escalating inflation pressures.

It's revealed in the confounding development whereby the lifting of over 400 million out of poverty has brought not calm and contentment but rising social discontent that results in over 100,000 protests each year.

This complex, confounding world leads to my eighth – and final – difference.

Imperial China knew how power and order worked.

Power and order flowed through imperial architecture and ritual, through scholarship and the sacred, through language and exchange.

Power and order flowed from the centre outwards; deference and emulation flowed back from the outer barbarians and frontiers towards the Emperor.

At times power alternated, and barbarians overpowered the centre, but ultimately order was restored, and power and order flowed serenely out from the centre again.

Modern China has not yet worked out how power and order work.

Neither has any other 21st century state.

Modern China lives in an interdependent world – it is a crucial source of dynamism for many countries in its region and beyond.

It holds huge amounts of the debt of its principal strategic competitor, the United States.

And yet Beijing is unsure how to use this leverage to get what it wants at acceptable cost.

Its rogue ally, North Korea, can provoke tension in the region and isolate China at will.

Beijing believes this is a game also being played by its close trading partners in Southeast Asia.

And even if China could figure out how to convert interdependence into leverage, and even greater conundrum awaits: what does it want the international order to look like?

Arguably no state is benefiting more from the current international order than China – and yet it is viscerally unhappy with the way the world works.

How can the world be reshaped in ways that China is more comfortable with, while preserving those aspects of it that are so good for China?

China is the only modern great power with prior experience of having been a great power.

But the great paradox of Chinese power is that it is more disoriented and less prepared for its sudden empowerment than any of its recent contemporary great powers.

The power that China has long yearned for has caught it by surprise and it is deeply disconcerted by it.

It has found its power met not with respect but with expectations and demands.

And despite its deep study of the trajectories of other great powers, it finds itself trapped in the great power tractor beam: that the more powerful it gets, the more vulnerable it feels, and the more power it feels it needs.

So what is the meaning of Chinese power for the Asian region, and for New Zealand and Australia?

The rise of China over the last decade has caused three major strategic shifts in the region.

The first is a decisive re-centering of the regional economic dynamic on China.

China has become the centre of a new “factory Asia” – a web of distributed manufacturing chains that stretch across East and Southeast Asia.

The economic data show the dramatic growth of components trade in East Asia. Component exports increased from just over one-half of Southeast Asia’s exports in 1992/3 to two-thirds in 2006/7.

The figures also show the increasing centering of East Asia’s distributed production on China: the share of components in China’s total manufacturing imports from East Asia jumped from just 16% in 1992/3 to 46% in 2006/7.

The closeness of this integration can be seen in the rest of the region’s close tracking of China’s economic fortunes during the global financial crisis.

Indeed, the closeness of regional economic integration pose real challenges to East Asia’s economies.

First, the more closely the region's economies become integrated with China's, the more concentrated their sovereign risk becomes on China's economic, social and political performance and cohesion.

Second, the new China-centered regional economy gives Beijing great strategic leverage as regional countries increasingly have a stake in its continuing success.

Third, as China becomes a major trading partner of regional economies – currently 6 of APEC's 21 members have China as their major trading partner, another five have China in their top 3, and a further 4 in their top 5 – there is a growing divergence between the security commitments and economic relationships for a range of regional states.

The second major shift relates to Asian regionalism.

Regionalism in Asia has always been maritime and open, designed to maximize the region's linkages to other parts of the global economy.

In an article a couple of years ago, I called it the doctrine of "Pacificism", a direct descendant of the open door liberal trading order and the open maritime commerce of pre-colonial Southeast Asia.

But the rise of China at the centre of the regional economy has raised a different option: a closed regionalism based around an alternative doctrine of "Asianism".

"Asianism" is a belief in the superiority of Asian countries' economic performance and a vision of the West as jealous and exploitive.

It is dissatisfied with the Asian voice in global economic affairs and advocates solidarity as the answer.

Its intellectual father may have been Dr Mahathir, but its modern proponents are Chinese.

At this stage, Asianism is just an idea, and open regionalism continues to hold sway – but one can think of a range of developments that are entirely plausible that would start to convince key swing economies in Southeast Asia, such as Thailand and Malaysia, to back a closed version of regionalism.

The third strategic shift the rise of China has ushered in is a new, pyramidal structure of power competition and alignment.

The power pattern that is emerging in Asia, to my mind, resembles a pyramid.

The most powerful country in Asia, by a large margin, is China.

China is Asia's largest country by population and the second largest by land area.

The regional economy is centered on China.

It has the continent's largest and best-equipped military forces.

But China is surrounded by other large countries that don't trust it, and that have enduring civilizational rivalries with it: Japan, Vietnam, Indonesia, India.

Increasingly these countries are reaching out to each other, and to the United States, to balance the rising power and centrality of China.

But these secondary powers in turn are surrounded by tertiary powers that are deeply distrustful of them.

Japan is beset by memories of its historical aggression, as is Vietnam.

India's neighbours in South Asia get on very well with each other, but eye New Delhi with suspicion.

Indonesia has long been suspected by its neighbours of being little more than a vehicle for Javanese dominance of Southeast Asia.

To balance the secondary powers, the tertiary powers are reaching out to each other – and to China, the primary power, as well as the United States.

Pakistan has long had close relations with China.

China's trade with the countries of South Asia stood at \$19.4 billion in 2004 – almost four times the value of India's trade with its closer neighbours.

China's closest relationships in Southeast Asia are with countries that have long lived in Vietnam's shadow: Cambodia, Laos, Myanmar and Thailand.

The consequence of this pyramidal power structure is that strategic linkages and counter linkages now run between the Indian Ocean and Pacific coasts of Asia.

And as always, strategic alignments and competition overlay economic flows.

Between 1990 and 2010, the decades hailed as the era of the Asia Pacific, East Asia's trade with North America grew by three and a quarter times.

But during the same period East Asia's trade with the rest of Asia grew by six and a quarter times.

And the trends have been accelerating.

Intra-Asian trade grew by 240 per cent during the 1990s, but by 280 per cent in the following decade.

By the end of the first decade of the supposedly Asia Pacific century Asia's internal trade was more than two and a quarter times the size of cross-Pacific trade.

Strategic dynamics reinforce economic flows to call forth an Indo-Pacific geostrategic realm.

And right down the middle of the Indo-Pacific lies a long strip of land and islands, which most people call Southeast Asia, but that I call the Indo-Pacific peninsula.

This motley collection of large but poor and small but wealthy societies happens to occupy a region of the earth's surface that will be subject to intense great power competition in the coming century.

And Australia and New Zealand need to realize that geopolitically, if not yet emotionally, they are an integral part of the Indo-Pacific peninsula.

Indeed, in the terms developed by geopolitics theorist Saul Cohen, Australia and New Zealand, along with the islands of New Guinea, Sulawesi and Borneo form the sparsely populated, resource rich regions that are an integral part of any geostrategic realm.

They will inevitably be increasingly integrated into the strategic and economic dynamics that radiate out from the centers of population and production.

In other words, New Zealand and Australia will no longer be in the outer bleachers while the action happens in the North Pacific and the North Atlantic, and able to make or not make niche contributions with little impact on the outcome.

In the Indo-Pacific era, New Zealand's and Australia's choices will matter – and they will have real consequences for both countries.

That's what China's rise means for the antipodes.

We're as unprepared for this as China is.

But we'd better start getting prepared.