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Riding the Wave

The rise of China and options for Australian policy

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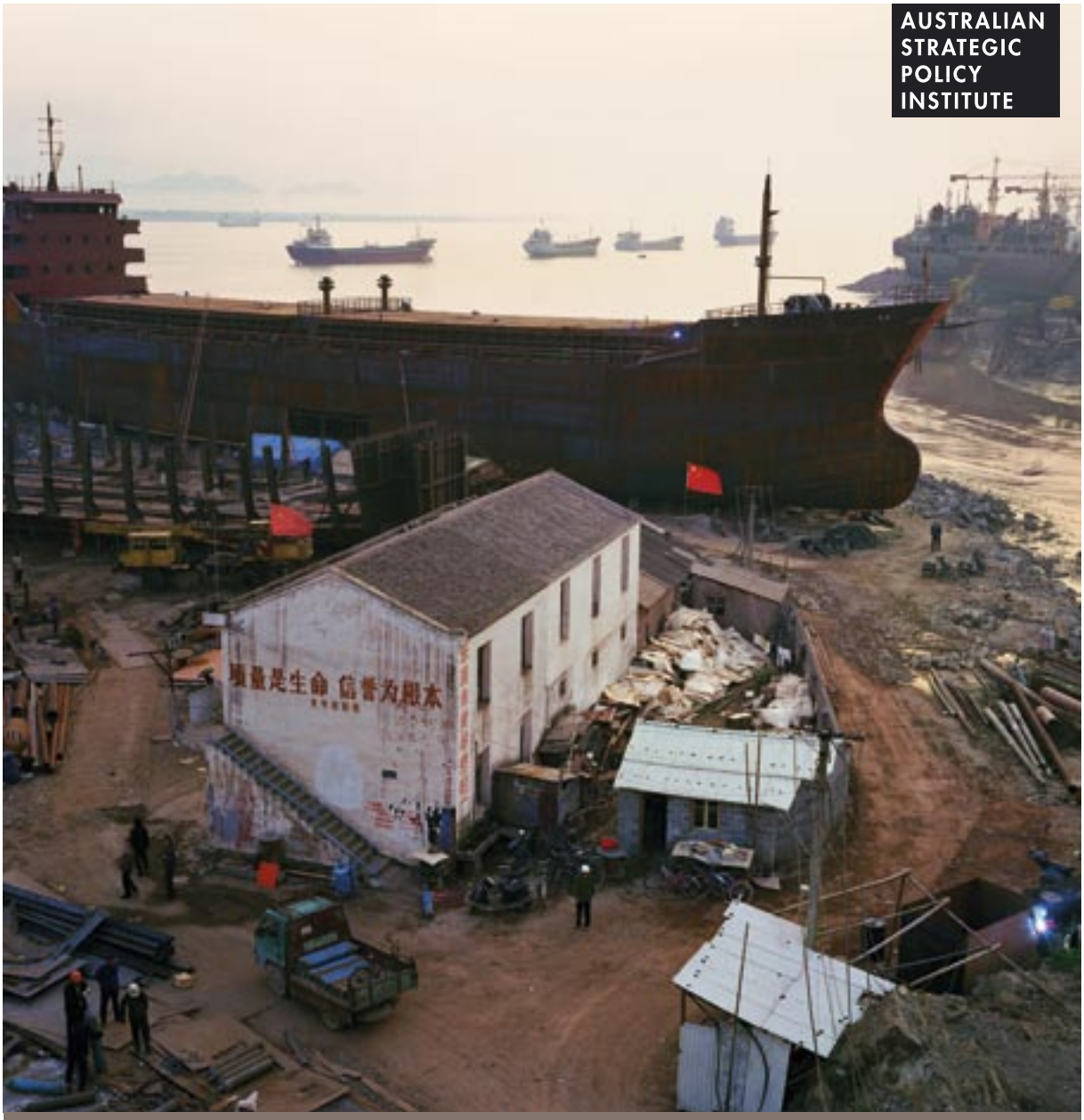

March 2006

Ross Terrill

Ross Terrill, author and China specialist, graduated from the University of Melbourne and served in the Australian Army. He won a Frank Knox Fellowship to Harvard University and took a PhD in political science there in 1970. He was appointed to the Harvard faculty in 1971 and became associate professor from 1974–1980. He is both an Australian and an American citizen. Professor Terrill has written seven books on China, including *China in Our Time*, *Madame Mao*, *800,000,000*, and *Mao*. He is a many-time contributor to the *New York Times*, *Newsday*, *Chicago Tribune*, *Los Angeles Times*, *Miami Herald*, and *Washington Post*. His current book, *The New Chinese Empire*, won the Los Angeles Times Book Prize in 2004. He is Associate in Research, Fairbank Center for East Asian Research, Harvard University, and Visiting Professor (spring term), University of Texas at Austin.

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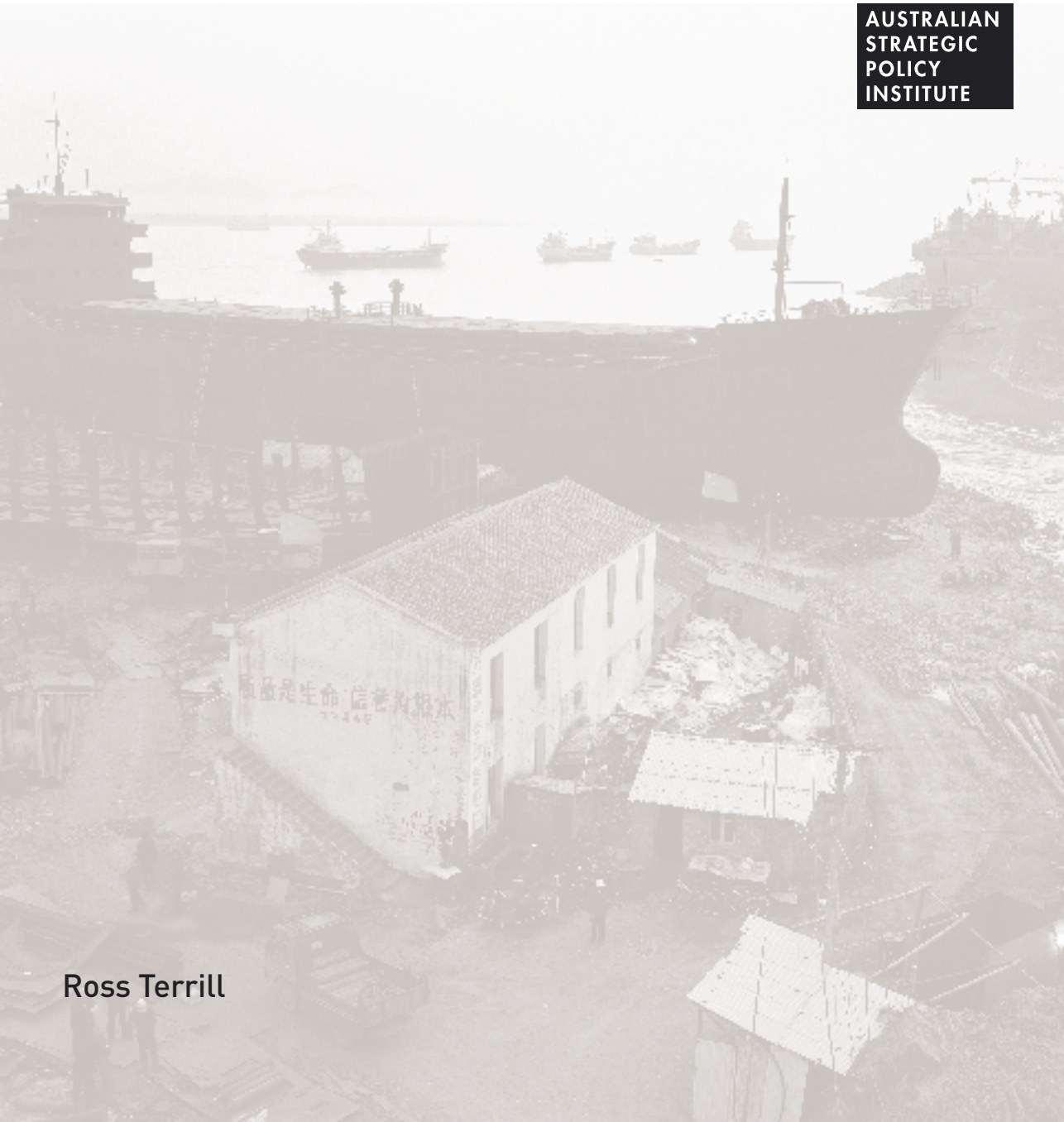

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Contents

Director's introduction

Few issues are more relevant to the prospects for longer-term peace and stability in the Asia–Pacific than the choices of strategic paths China's leaders might make. These will be influenced by the interplay of historical, cultural, economic and political factors both within China and throughout the broader international community, including the reactions of other powers to China's ambitions.

In a previous *Strategy*, published in February 2006, Chicago-based economist David Hale provided his assessment of China's economic prospects and the implications for the Asia–Pacific. In this ASPI *Strategy* we asked Ross Terrill to address the strategic dimensions of the re-emergence of China and to provide his views of options for Australian strategic policy.

Boston-based author, commentator and China specialist Professor Ross Terrill, who is both an Australian and an American citizen, has written seven books on China. His most recent book, *The New Chinese Empire*, explores pragmatically the strategic challenges posed by China's 'peaceful rise'. He is Distinguished Professor of Political Science, University of Texas, and an Associate in Research, Fairbank Center for East Asian Research at Harvard University.

My thanks go to Ross Terrill for his work on this study which builds on the highly-valued contribution he made to our inaugural international conference in September 2005.

I also thank Peter Jennings, then ASPI's Director of Programs and now with the Department of Defence, for managing the study and Janice Johnson for her invaluable contribution to the design and production of this publication. As with the earlier Hale study the illustrations for this *Strategy* are the work of Canadian photographer, Edward Burtynsky.

Finally, as is the policy for all ASPI publications, the views presented here are those of the author. Responsibility for the publication rests with the author and me.

Peter Abigail
Director

Photo opposite: Urban Renewal #10, Hongkou District, Shanghai, 2004. Photography by Edward Burtynsky. Images Courtesy: Charles Cowles Gallery, New York—Robert Koch Gallery, San Francisco—Nicholas Metivier, Toronto

Executive summary

This paper opens with a discussion of the rise of new powers in comparative terms, including the various forms of power and influence and the different possible outcomes of 'rises', from smooth to cataclysmic. The context of China's 21st century rise includes its past pre-eminence in Asia, its tumultuous experiences from the Opium Wars in the mid-19th century to the Cultural Revolution of the 1960s, and its earlier false starts.

The People's Republic of China's rapid economic growth rates are accompanied by military advances, a heightened quest for markets and resources, diplomatic assertiveness, and increased national pride. China's role is now of global importance, although Chinese initiatives are selective and Beijing seems aware of risks and its own limitations.

Chinese foreign policy seeks to maximise stability at home, sustain China's impressive economic growth, and maintain peace in China's complicated geographic situation. More problematically, it also seeks to blunt US influence in East Asia and 'regain' territories that in many cases are disputed by others.

Some uncertainty exists as to whether Beijing seeks to redress grievances of the past or attain a new pre-eminence. This paper argues that China's fulfilment of its foreign policy goals will depend basically on the evolution of its political system and the reaction of other powers to its ambitions.

Within China, the directions of economics and politics diverge. Pressure for clearer property rights, rural discontent, use of the internet, huge unemployment and an ageing population, among other social strains, all dramatise the contradictions of communist rule over an increasingly free-market economy.

US strength still markedly eclipses China's, and Beijing faces a complex environment and heavy tasks of domestic development and preserving internal stability. The US, historically close to China only when a common enemy existed, is unlikely to move aside in favour of Chinese

pre-eminence, though some common interests seem likely to limit Washington–Beijing tensions.

The two cases of North Korea and Japan indicate the complexity of Beijing's foreign policy position. It seeks to maintain North Korea's existence, but this may be in tension with China's broader modernising and international goals. China clings to historical resentments against Japan even as its economic relationship with that country spurs China's own progress.

China's rise raises questions about the relative weights of the colonial past and a globalised future, the role of democracy in East Asia, the message (if any) China has for Asia and the world, and the comparative experiences of China and the former Soviet Union.

Australia's situation in the region has changed mostly for the better over the past decade, and some sharp choices of the 1990s seem to have been transcended by globalisation, economic developments and the challenge from terrorism. This paper urges clear thinking by Australians about whether the US will remain strong and engaged in the region, the proper place of deterrence, the ways Beijing's mercantilism differs from free-market approaches to the international community, and whether an authoritarian China can also be an enduringly strong China.

The paper concludes that China is an aspiring great power that nevertheless is constrained at home and likely to act prudently if faced with countervailing power.

Chapter 1

CHINA'S GROWTH AS A DOMINANT POWER

The setting for China's rise

As 2006 begins, nobody denies the increased importance of China in Asia and beyond. Final 2005 figures appeared to place China as the world's fourth largest economy for the first time, ahead of the UK, France and Italy. But the rise of a country to the front rank of world powers is always a complex process. Power and influence take a variety of forms; military muscle and economic strength do not always coincide; 'soft' power differs from 'hard' power. Rises to power produce strikingly different outcomes. In the late 19th century, the US's rise to eclipse the UK in the Western hemisphere was smooth. Germany's rise, beginning in the same era, brought cataclysm to Europe from 1914. Outcomes differ not least because of how other powers respond to a 'rise'.

Power and influence take a variety of forms; military muscle and economic strength do not always coincide; 'soft' power differs from 'hard' power.

China's current rise is appealing for a bundle of reasons. Chinese civilisation commands respect for its longevity, its art and literature and its ancient and enduring political and ethical philosophies. Chinese people dwell on every continent and are often admired for their

Photo opposite: Old Factories #9, Fushun Aluminium Smelter,Fushun City, Liaoning Province, 2005. Photography by Edward Burtynsky. Images Courtesy: Charles Cowles Gallery, New York—Robert Koch Gallery, San Francisco—Nicholas Metivier, Toronto

industry, family-mindedness, stoicism, humour, and delight in food. After China's string of crises and oppressions from the Opium War in the mid-19th century to the Cultural Revolution of the 1960s, many non-Chinese also feel that China 'deserves a place' at the top table. Finally, China's rise offers the fascination of a stunning contradiction: a Leninist regime supervising a semicapitalist economic boom.

'For the rebirth of a people certain factors are necessary. Of these one is that the people should go through a period of trials and tribulations.'

China once stood paramount in Asia, and China's historical memory of those 2500 years, which ended only in the 19th century, is vivid. China's small neighbours remember the period less fondly. Drastic troubles struck China when Japan rose from the 1880s, Western countries grabbed spheres of influence inside China, and the Qing dynasty (1644–1911) crumbled. Six decades ago, Chiang Kai-shek wrote in a preface to his wife's *China shall rise again*: 'For the rebirth of a people certain factors are necessary. Of these one is that the people should go through a period of trials and tribulations.'

Trials and tribulations certainly occurred in the 150 years of foreign pressure, uprisings, disunity, invasion and civil war from the steady decline of the Qing, through Chiang Kai-shek's collapse in the late 1940s, to Mao Zedong's quarter-century in power (1949–1976). Initially, Mao put his hope in the Soviet bloc. This was a 'rise' of sorts, as a united China expelled American diplomats, fought strongly in Korea, and became the central concern for Asia in the 1950s. A militant China, however, stirred the West to varying degrees of opposition to Beijing's ideas and goals.

Dramatically, the 'everlasting' Sino-Soviet friendship evaporated within two decades. The China that emerged from Moscow's embrace in the mid-1960s announced a 'Cultural Revolution' against imperialists (the US and friends), social imperialists (the Soviet Union and friends), 'bourgeois elements' (many of its own Chinese people), and 'the Four Olds' (half the glories of China's cultural heritage). This was touted as the worldwide rise of Chinese-style revolution. The global 'countryside' (the Third World), in imitation of Chinese farmers, would 'surround' the global 'cities' (the developed countries), as Chiang Kai-shek's cities had been surrounded by Mao's rural armies. Mao's revolution would be replicated on the world stage. China's rise would eclipse, in originality and ultimate effect, even the rise of the new civilisation represented by the Soviet Union. In this period, Beijing took pride in isolating itself from the world economy and denounced most international institutions.

In fact, the Cultural Revolution was a severe fall for China and a sobering setback for the Chinese Communist Party (CCP) in whose name it unfolded. Perhaps it was a tribulation of the kind Chiang Kai-shek asserted was necessary for a subsequent 'rebirth'. By the late 1970s, Maoism was a spent force—except in pockets of Latin America and South Asia and on campuses in the West. In the end, Mao's international revolution occurred only in the fevered minds of Paris intellectuals and Berkeley professors—and on the killing fields of Cambodia.

After these abortive attempts at a global rise, it was understandable that the CCP under Deng Xiaoping stressed domestic construction. The rise had done little for the standard of living of the Chinese masses.

It was time for a rebirth. 'Nothing creates eager young capitalists quite like living under communism,' remarked the *Wall Street Journal* on 31 January 2006, noting that a poll the previous year had found that 74% of Chinese citizens agreed with the statement, 'The free enterprise system and free market economy is the best system on which to base the future of the world.' The Chinese topped a list of twenty countries in their enthusiasm, with the Philippines second on 73% and the US third on 71%.

Economic development replaced class struggle as the top priority from the 1980s.

Economic development replaced class struggle as the top priority from the 1980s. The door was opened not to offer Maoism to a benighted world, but to seek loans, investment and know-how from the West, Japan and capitalist overseas Chinese. Rules and regulations replaced the whims of one supreme leader. The Deng era picked up from aspects of the Chiang Kai-shek era, but in a much more favourable environment of East Asia-wide peace. Some found it hard to believe that this Chinese communist government was the same outfit that had run the Cultural Revolution.

Although the twenty years from Mao's death brought two major setbacks for China—the Tiananmen Square tragedy of 1989 and the collapse of the Soviet Union in 1991—by the end of the 1990s a brand-new 'rise' was manifest. From Tiananmen, China learned that stability was central and political freedom was for the birds. From the fall of the Soviet Union, it concluded that the people of China must be afforded prosperity if CCP rule was to survive. Leninism, shorn of Marxism, would be saved by consumerism. This has so far proved a successful formula: GDP at least quadrupled in the quarter-century after the Deng reforms began in 1979; foreign trade multiplied ten times in that same period.

The Asian financial crisis of 1997–98 saw Beijing emerge unscathed and vindicated …

The Asian financial crisis of 1997–98 saw Beijing emerge unscathed and vindicated (like Canberra, but for different reasons). Political storms had hamstrung China, but the financial storm left it looking good. President Jiang Zemin, holding weak cards during the 1990s, got more out of President Clinton than Clinton, holding strong cards, got out of Jiang. The Chinese had finessed the disappearance of the Soviet Union like a Beijing Opera character flipping her fan and pretending not to hear the shrieks of a dying neighbour.

'China is not Russia, drat the luck,' wrote James Lileks in the *Boston Herald* of 17 June 2001, putting an important point in somewhat dramatic dress. 'The Soviet Union, for all its formidable power, was Russian in character, and hence doomed to die drunk in a gutter clutching a utopian manifesto. China is sober.' One needn't accept the drinking images, or Lileks's next point that a West with self-doubt will lie down in the path of the Chinese, but the columnist saw a basic fact about Beijing and Moscow. The Chinese, even the younger CCP figures, are better disposed towards the West than were the elites of the Soviet Union, yet the Chinese party-state, learning partly from Soviet mistakes but even more from Chinese traditions, could also be a more effective competitor to the US and other democracies than was the Soviet Union.

The early years of the 21st century brought further People's Republic of China achievements and striking international awe at China's rise.

The measure of China's challenge

The early years of the 21st century brought further People's Republic of China (PRC) achievements and striking international awe at China's rise. GDP yearly increase continues at 8–9% (by government figures). Recent foreign trade volume has been up 25% a year. The post-Mao economic surge is fuelled by foreign money. In 2004, 57% of China's exports stemmed from firms with foreign investments. By the end of 2005, not only was China the world's biggest recipient of foreign direct investment, but its own overseas investments exceeded US$50 billion.

Urban coastal areas benefit most from the foreign investment, trade, technology and managerial skill. Initially, farmers were dramatically released from collective life for a return to family farming; they did well in the first half of the reform period, but lag behind the cities in the second half.

In the cities, a middle-class lifestyle has made a substantial appearance, with cell phones, internet use, cars, home ownership, and vacations outside China. Relative to other countries' middle classes, China's is a small one; perhaps one in eight urban adults belong to it. But in absolute terms it's a powerhouse of nearly 100 million people. Today's Chinese tourists with dark glasses and digital cameras in Rangoon and Phnom Penh contrast with the 1960s Maoist Red Guards who waved Mao's *Quotations* in the same cities as they called for revolution against the 'stinking bourgeoisie'.

This economic advance—infinitely greater than Mao's attempted Great Leap Forward of the late 1950s—has led to military expansion, diplomatic clout, a quest for markets, rising oil consumption (China has become the world's second largest oil consumer and third largest oil importer), greater capacity to import, and swelling nationalism. This may be considered a Marxist sequence of events that eluded Mao: the economic base shapes the superstructure. Ironically, Mao's contribution to the current Chinese rise was not economic, but political and military: under him, China regained its unity and fought a rash of wars to show its toughness.

Vietnam's situation throws light on the nature of China's latest resurgence. When Hanoi won the Vietnam War in 1975, it was widely expected that communism's fortunes would advance in Southeast Asia. That didn't happen. Indeed, the region's only war in subsequent years was between two communist countries, Vietnam and China, while the region's capitalist economies forged ahead. It soon turned out that Hanoi was a loser: years of ideological rigidity, war and battling for reunification had held it back from economic construction. Meanwhile, the China that had spurred North Vietnam to its revolutionary war swept past Vietnam in a wave of semicapitalist 'reforms'.

Twenty years later, some in Hanoi worried about a different threat—not the American military, but China's economic weight. The 'lips and teeth' relation with Beijing of the old ideological days, when the task was to extend communist revolution, had given way to a chilly world in which the ever larger teeth seemed capable of damaging the lips. The former premier of wartime Saigon, Nguyen Cao Ky, long resident in the US, visited Hanoi for the first time in 2004. According to the *New York Times*, he told his Vietnamese communist hosts, 'Economically, China can destroy Vietnam, and the government [of Vietnam] knows it ... Vietnam could become a district of China again.'

China has reduced its total armed forces from 4.3 million to 2.3 million over the past fifteen years. But this is part of a modernising process that includes smarter analysis of the enemy, enormous weapons imports from Russia, big investment in IT, more complex and lower cost scenarios for taking Taiwan, and better coordination of the services to mount land, sea, air, space and electronic warfare simultaneously. Beijing smokes out American weaknesses, such as likely delays in deployment in the Taiwan area and aversion to casualties. Recent Chinese acquisitions of new amphibious assault ships and submarines that fire missiles from under water deeply concern Taipei and Washington. Beijing has plans for computer warfare against Taiwan, designed to have the island capitulate before the US has time to intervene.

...Washington believes that Beijing is now thinking well beyond Taiwan to the balance of power in Asia as a whole...

The 2005 Pentagon report on China's military sees a growth in the military component of China's pursuit of its national interests. It notes that Beijing is deploying an additional hundred short-range ballistic missiles opposite Taiwan each year. At the same time, Washington believes that Beijing is now thinking well beyond Taiwan to the balance of power in Asia as a whole and the securing of long-term energy supplies. The Pentagon report highlights China's recent buying of refuelling planes, enabling it to extend the range of its fighter jets across the entire South China Sea. In Pakistan, Beijing is building a deep-sea port at Gwadar, some 450 kilometres west of Karachi and not far from the Iran border. This recalls China's only previous foray into the Arabian Sea, under Emperor Yong-le of the Ming dynasty (1368–1644). The Gwadar port facility is part of a planned route for Middle East oil to reach China overland without being shipped through the sensitive Malacca Strait.

The American public got a jolt in July 2005, when a Chinese general said that if US forces interfere in the Taiwan Strait, 'the Americans will have to be prepared that hundreds of cities will be destroyed by the Chinese with nuclear weapons.' Prime Minister John Howard—in

Washington at the time—called these remarks 'unhelpful' and 'irresponsible'. China launched its first manned space vehicle in October 2004 and now plans manned trips to the moon, a space station and Mars. The space program seems to challenge the American militarisation of space through surveillance satellites and space-to-earth weaponry.

Despite these recent strides, China's armed forces lack capacity to project conventional military power, aren't strong in close air support, and can't compare with US forces in equipment. To the US's 870 long-distance aircraft, China has only 170; the Chinese army has 400 helicopters to the US's 4500; the US has 14,000 APCs while China has 3500; and so on. The Chinese military command seems to be realistic about China's shortcomings; the generals are well aware, for example, that a failed operation in the Taiwan Strait would simply hand independence to Taiwan on a plate.

Twenty years hence, China and Australia could be the two powers in the shadows as a tug-of-war goes on in the internal and external policies of Papua New Guinea and other South Pacific states.

Beyond Asia, China has been taking historic steps. In a departure from decades of 'not joining in', Beijing has more than a thousand peacekeepers in Haiti, Liberia, Sudan, Congo and other countries. 2004–05 saw a push to invest in South America, and Beijing has the funds to meet its hunger for oil and minerals from Brazil and Peru. Panama is courted for its location and canal, and Cuba is embraced as a socialist brother in a way that would surprise those who think Beijing has discarded its Leninism. Chinese fishing, investment, and tourism in the South Pacific build on a foundation first established in 1970s rivalry with the Soviet Union and developed in competition with Taiwan for diplomatic recognition from pint-sized, hands-extended island states. Twenty years hence, China and Australia could be the two powers in the shadows as a tug-of-war goes on in the internal and external policies of Papua New Guinea and other South Pacific states.

China's trade with Africa has tripled to more than $30 billion in the past five years. In Africa as in Asia, Beijing specialises in cosying up to repressive regimes. The Chinese ask nothing of tyrants in Zimbabwe, Sudan and elsewhere (other than that they oppose Taiwan's aspirations for independence). China promises any and all rejects of the West an honoured place at the table of tomorrow's winners. To Zimbabwe, Beijing has sold fighter jets that President Mugabe declared (whether merely boasting or not) are for use against the UK and the US. Already buying 25% of its imported oil from Africa, Beijing nurtures Sudan's oil industry and, single-handedly among the great powers, protects Khartoum against UN punishment for its debacles in Darfur and southern Sudan.

Each step of the way in the Third World, Beijing seeks to increase support, or decrease opposition, to its eventual effort to control Taiwan, and drives a wedge between the countries it deals with and the US. The Chinese have shown some skill in these manoeuvres, making use of 'united front' politics—a doctrine from a generally rejected Maoist past. The heart of united front politics is disguising one's goals and making a secondary target

of 'friends' even while using them against the primary target of the moment. Jakarta, Dar es Salaam, Taipei, Phnom Penh and other capitals are familiar with the united front technique from China's earlier 'ideological' rise. In military affairs, China's ancient concept of 'strategic deception' (*moulue*) complements the united front idea in political affairs. Its essence is surprise: 'Feint in the east and strike in the west,' as Sun Zi put it more than two millennia ago. Sudden large-scale attack by the PRC is not unknown to India, Korea, Vietnam and others.

In some quarters, China is naively viewed as on the verge of taking over the world.

In some quarters, China is naively viewed as on the verge of taking over the world. This is an old story. US Secretary of State Hay proclaimed in 1899, 'The storm center of the world has shifted ... to China. Whoever understands that mighty empire ... has a key to world politics for the next five hundred years.' Twelve years later, that 'mighty empire' had fallen. Today, amid speculation about how big the Chinese economy will be in 2020 or 2050 ('surpassing the US'), news reports seldom mention that the Japanese economy remains three times the size of China's and the US economy seven times. Japan is the biggest aid donor to South Pacific states, but that's seldom mentioned in articles about China's largesse beneath the palm trees. US trade with Africa is double China's—but China, of course, is 'rising'. By Australian standards, most of China today is very poor; some 200 million live on one American dollar a day.

Some in Europe, in Australia and even within the US exaggerate China's rise, using it as a stick to beat the Bush Administration. Any rise with the potential to take Bush down a peg or two should be encouraged and maximised, say those for whom the US wouldn't be first choice as sole superpower. From the *New York Times* to the French Government to the Australian left, China's bid for world power is a lifeline in a sea of American 'fundamentalism', 'pre-emption', 'unilateralism' and 'disrespect for the international community'. Whether China's rise will be a solution to all the problems thrown up by American evils remains to be seen.

There's no need to exaggerate China's rise, because it's real. Although far behind the US and even Japan economically, it grows faster than either for the moment.

There's no need to exaggerate China's rise, because it's real. Although far behind the US and even Japan economically, it grows faster than either for the moment. Militarily, China is one of the world's five largest powers, and, again, it adds to this power more rapidly than any other major country. Diplomatically, Beijing has made itself a strong force all over Asia and enjoyed recent advances in Europe, Africa, South America and the South Pacific.

Overall, China's new global weight is selective but extensive in scope, modest in style but long-term in vision, and old-fashioned in its eye for resources and quasi-bases. Naval expansion, in particular, reflects heightened trade and territorial ambitions. For now, China's strength stems from the centrality of its geography, its huge population and the potential 'catch up' room available to a power after 150 years of intermittent setbacks. It's important to note that philosophically China is an observer, a consumer, imbibing from all quarters. Its Chineseness is this new rising power's principal message for the world.

Factors in the entrance of a new dominant power

Is China joining the 'international community'? If that term signifies a moral order symbolised by the UN, China's interest in it is limited. Indeed, in East Asia the 'international community' remains something of a mirage (only in Europe is there an international community at whose door nations line up to seek entry). At best, it's malleable; to the sceptical eye, it hardly exists. As recently as the 1940s, Japan saw itself spearheading a new international community in East Asia. It hoped to draw China and Southeast Asia into a Japan-led prosperity that would defy the relentless march of Western colonial extension. It's perhaps hardly surprising that Beijing has lacked a robust belief in international community ever since 1949.

> ... Beijing still tends to behave reactively rather than pursue positive, distinctive international goals.

In fact, despite its greater influence, Beijing still tends to behave reactively rather than pursue positive, distinctive international goals. This reassures some people; they see China as a cautious, even conservative, power. The picture has a certain validity. Beijing behaves reactively in three fundamental respects. It sees itself recovering from economic backwardness. It copes in quiet frustration with relative weakness compared with the US. And it participates in numerous international organisations for the limited purpose of keeping their agendas from inconveniencing China (at first, the motive was simply to keep Taiwan out). Such a reactive stance suggests uncertainty as to whether Beijing is 'returning' to its past imperial primacy in Asia, or joining what people (other than Chinese) style the 'international community'.

> It's important to note that the successful rise of a new hegemon entails three distinct factors ...

It's important to note that the successful rise of a new hegemon entails three distinct factors: an intention to be Number One on the part of the rising power; a capacity to fulfil the functions of a Number One; and the opportunity to do so, which depends on how other affected powers react to the new contender.

As Asia's long-time centrepiece, traditional China faced little resistance or competition. Only nomads from inner Asia challenged China successfully—and they never replaced the Chinese polity, but merely took part in it; hence the Mongol (Yuan) and Manchu (Qing) dynasties. Britain and Spain faced efforts to limit their rises, but such efforts were slow moving. A more recent relevant case was Japan's accelerated rise from the 1930s. Despite clear intention and formidable capacity, Japan's bid for an East Asian Co-Prosperity Sphere wouldn't have gone far had Britain, the US and others resolved to deter it. Tokyo was given the opportunity; until the aftermath of Pearl Harbor, it saw a green light.

... Beijing aims at national strength sufficient to veto any development of which it disapproves ...

Today, Beijing aims at national strength sufficient to veto any development of which it disapproves—one definition of a superpower. The capacity to achieve that aim is not clearly beyond it, but will the other affected powers acquiesce? To this question, we shall return.

Chapter 2

FOREIGN POLICIES IN FLUX

Aims of Chinese foreign policy

Because China remains an authoritarian state, we can't know what the Chinese people want. Still less can we assign a direction to the future of Chinese civilisation—saying, for example, that it will 'clash' with Islam or Western civilisation. We can answer the question about China's aims only in terms of the actions of the current Beijing party-state. What are the nine male engineers who make up the Standing Committee of the Politburo of the CCP seeking for China?

Unlike the US, which trumpets its aims, China keeps its goals under wraps.

Unlike the US, which trumpets its aims, China keeps its goals under wraps. Read the speeches of China's top leader, President Hu Jintao, who is also CCP chief and head of the military, and the speeches of his predecessor, Jiang Zemin, and 'peace and development' seem to be the themes of Chinese foreign policy. This phrase reveals but also misleads. Peace and development are means rather than ends for Beijing's foreign policy. To say that peace and development are China's goals is like saying Hu Jintao's purpose tomorrow is to put on his trousers and brush his teeth.

The themes below aren't to be found in any one Beijing document, but are woven from the public and private words of the Chinese leaders and the implied purposes behind the actions they take. In real life, of course, the making of foreign policy—in any country—follows no script

Photo opposite: Manufacturing #10B, Cankun Factory, Xiamen City, 2005. Photography by Edward Burtynsky. Images Courtesy: Charles Cowles Gallery, New York—Robert Koch Gallery, San Francisco—Nicholas Metivier, Toronto

and is often ad hoc. As 2003 began, Premier Wen Jiabao certainly didn't imagine that within months he'd be on the defensive at an international conference in Bangkok, as other Asian leaders expressed misgivings about Beijing's response to the SARS epidemic. Back in January 2003, the very term 'SARS' didn't exist.

A British foreign secretary in the 19th century, Lord Salisbury, said that running British foreign policy was like driving a London bus, in that the main point was to avoid being hit. Yet Salisbury did have foreign policy goals, some of which he attained. Similarly in the democracies today, foreign policy and electoral politics interact, even if leaders deny or are hardly conscious of the interaction. The Tampa affair was naturally in John Howard's mind as he campaigned in late 2001; Iraq affected George Bush's campaigning—and his campaigning affected Iraq—during the summer and autumn of 2004. With these caveats on the limits of rationality in foreign-policy making, I identify five themes in Beijing's foreign policy behaviour.

...China pursues a foreign policy that maximises stability at home.

First, China pursues a foreign policy that maximises stability at home. This is true of many nations, of course, but acutely so of the PRC. Control of the populace, indeed the territorial unity of China, has seldom been taken for granted by post-1949 Beijing, as indeed it couldn't be for much of modern Chinese history. Overall, since China 'unified' under Qin Shihuang 2300 years ago, disunity and disorder have been as frequent as unity and order. From the beginnings of the PRC until today, the CCP has been wary of losing its grip over a far-flung realm.

The PRC's three largest provinces, Xinjiang, Tibet and Inner Mongolia, were historically not Chinese territory. Tension in such 'minority' areas—called 'autonomous regions' by Beijing—has led to semicolonial methods. Dealings with South Asia seek to reduce links between Tibet and the Tibetan government-in-exile in Dharamsala, India. Dealings with Central Asia are similarly concerned to damp down the hopes of Uyghur separatists in Xinjiang. The same eye to domestic control guides policy towards Mongolia, Korea, Thailand and other neighbours.

In addition, the claim of the CCP to be the fount of truth as well as of power automatically creates a number of forbidden mental zones that must be policed. The PRC government trusts you with your money but not your mind. Any philosophical heterodoxy is treated, with or without justification, as a political threat to the CCP. This happened in the case of Falun Gong, an organisation of semi-Buddhist health and exercise practitioners, stemming from China but now international. Beijing made an unnecessary enemy of Falun Gong, and Chinese diplomats from Sydney to New York have tried to thwart the group's international activities.

Jiang Zemin instructed archaeologists to find evidence, however sketchy, that Chinese civilisation is 5000 years old, to spur Chinese nationalism and exceed the longevity of Indian civilisation. In 1998, Jiang gave a startling twenty speeches on World War II during a visit to Japan. The *South China Morning Post* reported that the Japanese chief cabinet secretary

eventually said in frustration, 'Isn't this a finished problem?' Japan's past transgressions will never be a 'finished problem' while Beijing feels a need to legitimate itself with the Chinese people by decrying 'Japanese militarists'.

... insecurities about control of the populace and the monopoly of truth shape China's foreign policy.

All these insecurities about control of the populace and the monopoly of truth shape China's foreign policy. The PRC, despite its huge Han (Chinese) race majority of more than 90%, is a diverse semi-empire with many folk sharing racial, religious or historical links to fellow peoples just across one of China's borders. The PRC is an authoritarian regime that, with or without good reason, seems afraid of many of its own citizens.

A second theme of China's foreign policy is the maintenance of China's impressive economic growth. As Marxism fades and no official public philosophy replaces it, a better standard of living (together with pride in the nation) becomes the legitimator of a regime that never faces an election. Modest wealth is a good reason for most people, but not all, to blunt any criticisms they might have of the party-state. Understandably, in crafting foreign policy, Beijing must keep the economic legitimating factor intact and so keep the CCP in power.

Hence did China bow to stringent American and other countries' conditions in joining the World Trade Organization in 2001. Hence Beijing's fairly transparent recent juggling act over the yuan–dollar exchange rate. Hence China's relative calm when Australia, a key resource supplier to China, granted a defecting Chinese diplomat a protection visa in mid-2005.

Beijing put up with President Clinton's dramatic 1996 dispatch of aircraft carriers to the vicinity of Taiwan during escalating tension over a Taiwan election—surely in part to avoid damage to China's huge exports to the American market. During the George W Bush era, after a collision between a US and a Chinese aircraft near Hainan Island in 2001, Beijing abruptly switched off initial 'antihegemonic' rhetoric—again to protect the bilateral relationship that means most to China's economic modernisation.

... Beijing's foreign policy is to maintain a peaceful environment in China's complicated geographical situation.

A third concern of Beijing's foreign policy is to maintain a peaceful environment in China's complicated geographical situation. Here, an actual goal coincides with a proclaimed goal. Alone in the world, the PRC has to deal with fourteen abutting neighbours, seven with borders of more than 1000 kilometres, and four others just across the water from China's 14,500-kilometre coastline.

In its first thirty years, the PRC went to war on five flanks. In the Korean War, it lost more than a million dead and wounded. It fought India in 1959 and 1962. It sent 320,000 engineering and anti-aircraft troops to help Ho Chi Minh win the Vietnam War. Socialist

brothers Moscow and Beijing took to the sword in 1969 at the Amur and Ussuri rivers in the northeast and on the Xinjiang border. Deng's China attacked Vietnam in 1979 to 'teach Hanoi a lesson'.

From the 1980s, to China's credit and Asia's relief, Beijing adopted a new stance of omnidirectional smiles, labelled a 'policy of peace and independence'. Fighting no war after 1979, Beijing in the 1980s and 1990s smoothed relations with the Soviet Union, mended the shattered fence with Indonesia, stunningly recognised South Korea while calmly stuffing a cloth down North Korea's angry throat, established a shared gatekeeper role with Moscow in Central Asia, encouraged Pakistan to compromise with India over Kashmir in the hope of Beijing enjoying good relations simultaneously with India and Pakistan, joined international agencies by the month, played an international role in Cambodia and East Timor, and eventually became enmeshed with the US in multifaceted ways exceeding anything (except in the military realm) seen in Sino-American history. Beijing today, in a striking change from most of PRC history, has no enemies.

Caution to gain time continues. On the Korean peninsula, in its own opaque fashion, Beijing is pursuing a policy in the six-party talks of keeping the peace by clinging to the status quo. In China's current view, however hair-raising Pyongyang's gyrations may continue to be, a divided Korea is better for China than a united Korea of uncertain orientation and stability. In Central Asia, likewise, Beijing opts for 'talks' on border demarcation and 'splittist' issues that sweep problems under the carpet and maintain the status quo.

China apparently envisages replacing the US (and Japan) as the chief influence in East Asia.

Recently, it's become clear that Beijing is moving beyond omnidirectional smiles to lay the groundwork for a possible Chinese edition of the Monroe Doctrine in East Asia. This is the fourth theme of the PRC's foreign policy. China apparently envisages replacing the US (and Japan) as the chief influence in East Asia. Unfortunately, the Washington-led projects in Afghanistan and Iraq may have made the Bush Administration and the American public less vigilant than they should be about Beijing's advances and the balance of power.

More concrete, if still rather negative, aims are becoming evident. On a few global issues where Chinese and American interests coincide, or where Beijing can't effectively resist US policy, it goes along with the US, 'abstains', or opposes Washington with a limp wrist. Such was the case with the first Gulf War.

But in Asia the Chinese leaders are doing much to frustrate and exclude the US. They try, so far with little success, to drive a wedge between Japan and the US at every opportunity. They whisper in Australian ears that Canberra would be better off looking only to Asia and not across the Pacific. In December 2005, a milestone was reached when the East Asia Summit met in Malaysia with the US absent, thanks in part to skilful Chinese manoeuvres. Not particularly successful at Kuala Lumpur, Beijing nevertheless seeks an East Asian Community organisation without the US and with Japan to the fore only if it behaves as Beijing thinks it should.

In the Southeast Asian theatre, the overture to a Chinese Monroe Doctrine can be heard unmistakably in Myanmar (Burma) and several other countries. Myanmar receives substantial Chinese aid, including funds for important infrastructure projects like railroads, highways and modern port access to the Indian Ocean. The Myanmar leaders are nervous about the possibility of the sinification of northern Myanmar, where ethnic Chinese live and trade. However, as in the historical pattern of Burmese tribute to the Chinese court during the Ming and Qing dynasties, smiles to Beijing are an insurance policy. The crowning blessing is that Beijing asks no awkward questions about human rights—even about the appalling cancellation of the results of the election of 1990. The result is that Myanmar has entered China's sphere of influence. Laos is in a similar situation. Further down the road, Thailand and even Malaysia could be candidates for Beijing's soft hegemony.

A fifth theme of China's international policies is 'regaining' territories that the Beijing party-state feels rightfully belong within the PRC.

A fifth theme of China's international policies is 'regaining' territories that the Beijing party-state feels rightfully belong within the PRC. The list of lands is long and runs from cases of trumpeted intent to others of secret hope. In between are cases for which Beijing waits to see what possibilities may open up. When questions about these cases are put to the Chinese Government, it makes vague statements about 'no-one being in any hurry'.

Taiwan and a large number of islands in the South China Sea, East China Sea and Yellow Sea are all publicly coveted by Beijing. In the case of Taiwan, Beijing awaits an opportunity that will consist of some combination of favourable (to Beijing) evolution of Taiwanese domestic politics, US fatigue from the strain of supporting Taiwan, greater PRC capacity to quickly project troops and materiel across the hundred miles of the Taiwan Strait, and a Japan more malleable than at present.

The Spratly Islands are essentially uninhabited but quite rich in oil and other resources, spread across crucial sea routes of Southeast Asia, and claimed in part by six countries. Beijing awaits sufficient naval capacity to 'resume' control of them. PRC Chinese-language journal articles regularly say that only one country, China, has sovereignty in the entire South China Sea. China feels it's just being magnanimous even talking with other powers about the issue. (In the 1930s, Chiang Kai-shek also saw the entire South China Sea as Chinese; a 1936 Nationalist government map showing all of the Spratly Islands area as Chinese is used by Beijing today). Not a few Vietnamese, Koreans, Thais and Indians also expect China, when able, to lay claim to parts of their territories that historically were once Chinese.

Of China's aspiration for territories on its northern flank, Mao said in 1964, 'About a hundred years ago, the area to the east of Lake Baikal became Russian territory, and since then Vladivostok, Khabarovsk, Kamchatka, and other areas have been Soviet territory. We have not yet presented our account for this list' (Doolin 1965). In due course, the account could be presented. By 1973, Mao seemed to have augmented the territory he felt was stolen by Moscow. 'In history,' he complained out of the blue to Henry Kissinger during a conversation

on other topics, 'the Soviet Union has carved out one and a half million square kilometers from China' (Burr 1998). During the 1960s and 1970s, the same communist party that rules in Beijing today claimed parts of today's Kazakhstan, Tajikistan and Kyrgyzstan as Chinese territory. Now, of course, it's a communist party with quite different priorities. But should Russia's hold over its far east weaken and the movement of Chinese people to live and trade in border areas continue, a China more powerful than today might 'present its account' for a portion of Siberia.

American relations with China have stayed within a narrow range for three to four decades.

US–China relationship

For the US in East Asia as a whole, the current state of affairs is quite favourable. Since the late Qing dynasty, one trait of the American position has been Washington's difficulty in achieving a decent relationship with Japan and China at the same time. In fact, only after the Vietnam War died down did this occur. Since the 1970s, such a dual balance has not only facilitated an age of economic development in East Asia, but it's given Washington a tacit leadership role and required no new US military intervention in the region.

American relations with China have stayed within a narrow range for three to four decades. True, modest swings have occurred during US election campaigns and when Beijing was tempted to overlook economic realities for spiritual satisfactions, but an essential stability since the Nixon–Mao opening of 1971–72 has resulted from four enduring factors. First, Washington's power markedly eclipses Beijing's, and the Chinese political and military leaders are well aware of it. Second, unlike the US, China faces a tough environment with multiple potent neighbours; challenges other than from Washington can and do rear up. Third, Beijing leaders see their tasks of domestic development and preserving internal stability as ongoing priorities. Finally, the US has seen no benefit in again tangling militarily with China, as in Korea and Vietnam.

A further feature of East Asian history is that the US has been close to China only when a common enemy loomed.

A further feature of East Asian history is that the US has been close to China only when a common enemy loomed. This was dramatically true after Pearl Harbor, when the Japanese attack on China became cause for a large joint war effort between the FDR and Chiang Kai-shek regimes. It was true again in the Nixon–Mao opening during the anti-Soviet years of 1971–72 and afterwards. After a period when Chinese nationalism strengthened in the wake of the Soviet Union's collapse and the Tiananmen Square tragedy, and the Clinton era brought little sense of direction to relations with China, Washington–Beijing relations improved after September 11, 2001, in part because of the common foe of terrorism.

The 9/11 jihadist attack led to developments in Central Asia and elsewhere that could have seemed a Beijing nightmare come true: American military operations launched from Uzbekistan and Tajikistan; Japan spreading its military wings once more; Afghanistan a client of the 'hegemonists'; and Moscow and Washington closer than before. Yet Beijing, which long felt that the US poorly appreciated Beijing's security worries on its inward flank, saw an opportunity to win sympathy for its tough policies in Xinjiang and other frontier zones. Jiang Zemin cooperated to a degree with Bush's War on Terror, and Hu Jintao has continued to do so, with an FBI office in Beijing and other spectacular measures. In fighting al-Qaeda, President Bush and most Americans see themselves striking against broad forces hostile to freedom; Beijing sees the war against terrorism as a defence of the unity of China. A logical crack in the US stance is its eclectic choice of partners in the anti-terrorist coalition; it has embraced such non-democratic elements as Pakistan's military regime and China's one-party authoritarian government.

Should the War on Terror subside to some degree, US–China relations will be put to a test.

Time will tell how enduring the post-9/11 lines of cooperation will be. Certainly, from 9/11 through 2004, relations between Beijing and Washington became as good as they had been in recent memory, but the pre-9/11 geopolitical realities in East Asia are bound to remain basically unchanged. The coalition against terrorism is philosophically thin; a certain cross-purpose marks US–China cooperation in it. Should the War on Terror subside to some degree, US–China relations will be put to a test.

Indeed, a cooling was evident in 2005. It had three roots. One was trade and financial issues. These concerns are pushed largely by the US media and Democrats in Congress; the Bush Administration resisted protectionist cries and has taken a patient approach to the dollar–yuan exchange rate issue. A second root is a fading of the imperatives of the War on Terror; this is a gradual change, but many people in Washington believe that Beijing's contribution to the war is modest and not an enduring base for Sino-American common interest. A third root of slight cooling is the Pentagon's concern about China's military strides. This issue is the most important, especially as Washington's heightened concerns are shared by Japan and others. Certainly, Beijing's military expansion for the moment dwarfs the importance of its cooperation with Washington on terrorism.

Visiting Europe in February 2005, Bush successfully urged a continuation of the 15-year-old European arms embargo on China. In June 2005 in Singapore, the American defence chief Donald Rumsfeld asked pointedly why China was engaged in rapid military expansion when it had no enemies. Unprecedentedly for a US Defense Secretary since the 1971–72 opening, he linked China's growing military might with its authoritarian political system.

Whether or not this cooling is a passing phase, Washington is extremely unlikely to allow China any opportunity to surpass the US as a world power. Partly to signal that stance, the US has welcomed Japan's new assertiveness and held out a warm hand to India. It's by no means a given that Beijing will push the envelope in East Asia soon, or that a Chinese

Monroe Doctrine would be within its reach; however, should this prove to be the direction of events, Washington would also turn to Australia, Indonesia, Vietnam and other partners in drawing lines not to be crossed.

American interests in Asia lie, as for a century now, in keeping China and Japan in balance, preventing either from forging ahead of all others.

American interests in Asia lie, as for a century now, in keeping China and Japan in balance, preventing either from forging ahead of all others. A tacit security system has existed in East Asia for decades. It's not always recognised, since it consists of unconnected bilateral links. To watch this US-led system be replaced by China's leadership would be a leap into the unknown—hardly welcome to Washington and the American people, but no more so to many other capitals in the region.

The possibility exists that a hasty American withdrawal from Iraq could weaken the US's overall world position for several years, but this seems very unlikely. Equally unlikely, but also possible, is a future US presidency that toys with isolationism. That the American public has supported President Bush strongly in the War on Terror, but only tepidly in the post-war Iraq project, reflects a tension that runs through US history: readiness to protect the American homeland is overwhelming, but patience with distant adventures is limited. Yet, of the four main schools of American foreign policy (realism, liberal internationalism, neo-conservatism and isolationism), isolationism has fallen far behind the other three. It never recovered from Pearl Harbor and probably never will in a sustained way (Krauthammer 2005). A future leadership could flirt with isolationism long enough to rattle the timbers; fairly soon, however, a correction would likely ensue, as it did in 1942.

China's complex foreign policy—2 case studies

North Korea

It's difficult to say the Cold War is over when contemplating North Korea. Kim Il-sung's invasion of South Korea in June 1950 was a signature event that crystallised the Cold War. Not only does a Leninist state continue to exist in the north, for which its people pay a terrible price, but Pyongyang has never given up its ambition to reunify the Korean peninsula by force under its leadership. It is a confusion of cause and effect to say the problem is North Korean poverty and that 'aid' can tame Pyongyang—it's like saying the problem with a broken-down car is the worn upholstery.

For Beijing, Korea is historically a 'young brother' (Mao referred to Kim Il-sung as 'Little Kim' in Chinese documents), and North Korea is a symbol of Cold War solidarity in recent times. The story of China as victim is interwoven with the Korean issue; Korea was a colony of Japan during the era when China was a victim of Japanese aggression. Beijing stood up against 'imperialists' on the peninsula in 1950–53. Today, in frustrating Washington's pressures on Pyongyang, Beijing expresses foreign policy theme four—maintaining a North Korea that is part of China's sphere of influence and a running sore for Washington.

Yet the tie with Pyongyang seems atavistic for a modernising China. The younger Beijing political elites hardly want China to be known for propping up Asia's most repressive and unsuccessful regime. The words uttered between China and North Korea strike an odd note in the light of the six-party talks and the general atmosphere of the post–Soviet Union era. A typical comment by a Chinese leader on an anniversary of the Sino–North Korean alliance, reported by the (North) Korean Central News Agency in July 2003, held that the two countries have 'pushed ahead with their cause of socialist construction' and have 'made important contributions to defending the peace and stability of China and Korea and, furthermore, in the rest of the world, closely cooperated with each other in the international arena.'

Beijing's relations with South Korea bespeak a different foreign policy priority—our second theme of raising China's standard of living. China was extremely creative in manoeuvring to a two-Koreas policy in the early 1990s. This was done not to 'help' others but in China's own economic self-interest. It has borne fruit in a major boost to China's image in South Korea, and in China becoming a substantial trading partner for Seoul.

Of course, Beijing has a reason to prop up Pyongyang: the continuing division of Korea may be less perilous than a united Korea possibly not friendly to China. A flow of refugees to China after reunification could affect China's domestic situation in the northeast, with its large Korean–Chinese population—a concern of our first foreign policy theme. A certain caution in favour of the status quo—our third theme—keeps Beijing muddling along on Korea.

Shrewdly orchestrated steps towards Korean reunification, however, are an option to crack the nuclear threat—an option that would see Beijing as a key influence and beneficiary.

Here's where the US, Japan, Australia and other democracies could push a new vision. A focus on the nuclear issue has produced meagre results, but war is not the only alternative. It's a misconception to expect China's 'help' over Korea. China will and should pursue its interests, just as the US, Japan and Australia pursue theirs. Shrewdly orchestrated steps towards Korean reunification, however, are an option to crack the nuclear threat—an option that would see Beijing as a key influence and beneficiary.

Reunification would bring an end to the US's North Korea problem and also be in the long-term national interests of China. Beijing urges everyone to 'get beyond the Cold War'; one contribution it must make to reach that goal is to accept the end of Stalinism in North Korea. Washington and its allies can offer Beijing something important in return: a reunified Korea should be free of foreign troops. And, although many contingent factors are involved, a reunified Korea would seem less likely to lean to Japan than to China.

Seoul's recent softness towards Pyongyang, disturbing to Japan and the US, can help an evolution towards reunification. No party to the process need say, 'Reunification under Seoul', even if most would expect that. With Washington and Beijing quietly behind the

negotiations, no military action would occur. It doesn't have to be shouted from the rooftops that the main problem of nuclear weapons on the peninsula is the bizarre behaviour of Pyongyang; Washington would tone down its rhetoric on that point. The talk would switch from Pyongyang's 'intentions' and weapons to steps towards reunification and the shape of a reunified Korea.

Pyongyang would be given the opportunity for input into this future pattern, though its contribution, economically and philosophically, would no doubt be limited. A complex process would unfold under Chinese, American and other supervision. By its nature, this process would loosen North Korea's draconian policies; in the end, it would probably bring precipitate political change in Pyongyang as the first phase of reunification drew near.

Japan would be generous with economic development aid. The US would swallow the loss of an ally. China would take the long view. It's said Korea is a test of China's 'international responsibility'; more to the point, Korea is a test of China's ability to see its changing national interests. The alternative to tackling reunification fairly soon may be a Japan with nuclear weapons, which would hardly be good for Beijing.

Beijing–Tokyo relations

Theatrical China and coiled Japan, the two core powers of East Asia, have seldom got on well. War between them in 1894–95, starting over Korea, undermined China's last dynasty and gave Taiwan to Japan. Massive war occurred in 1937–1945, as Japan's armies sought to put China under Japanese tutelage. Japan's attack doomed Chiang Kai-shek's regime and fuelled Mao's victory, and Tokyo lost control of both Korea and Taiwan. Since 1945, one way or another, American power has prevented a resurgence of China–Japan rivalry, with all that would mean for Australia and other countries in the region.

China, buoyed by the world's endorsement of its rise, believes it can lecture Japan with impunity on school texts, history and much else.

That 2005 brought fresh China–Japan tensions is no surprise. China, buoyed by the world's endorsement of its rise, believes it can lecture Japan with impunity on school texts, history and much else. After the Kuala Lumpur summit in December 2005, the official Beijing press said that Japan's role in the future East Asian Community depends on whether 'Japan can rightfully admit the invasion history in the last century and cease to hurt the feelings of the Chinese nation'. Referring to Koizumi offering prayers at the Yakusuni shrine, it speculated unhelpfully that 'the profound reason behind these visits ... may lie in Japan's relations with Western countries, the United States in particular'.

At the same time, thanks to generational change in Japan, North Korea's unpredictable behaviour, China's economic success and the flourishing Koizumi–Bush relationship, Tokyo has forsaken bowing and scraping and become more hard-nosed in its foreign policy. When a Chinese nuclear attack submarine entered Japanese waters late in 2004, Japan's destroyers and aircraft chased it back in a military operation almost never seen from the quiescent post–World War II Japanese military. However, China, with major territorial claims,

has nuclear weapons; Japan, with few territorial claims, lacks them. Tokyo has to face the unpleasant fact that its protector, the US, can now be struck—or deterred—by Chinese missile power.

Beijing's gripes with Tokyo are mostly spiritual. Younger Japanese are not willing to kowtow in unending shame for World War II. Beijing judges Japan morally unfit for a permanent seat in the UN Security Council. Japan, on the other hand, says its graduation time for China. No longer poor and a victim, Beijing is seen to have milked the World War II issue for concessionary loans. Many Japanese see China's anti-Japan rhetoric as calculated mythology for domestic political purposes.

China would like to decouple Washington and Tokyo...

The comforts of decrying 'Japanese militarism' conflict with the economic concerns in Beijing's second foreign policy theme, for Japan is second only to the US in China's trade and economic modernisation considerations. The third foreign policy theme emphasises a peaceful environment, but the fifth requires a 'return' of islands that Tokyo doesn't want China to have. The peaceful environment within which Beijing has achieved such economic success exists partly because of the US–Japan alliance, but this is a problem for Beijing's fourth theme, which resists the US's leading role in East Asia. China would like to decouple Washington and Tokyo, but the Chinese leaders must know this would make Japan even more assertive and East Asia less stable. All this makes Beijing's Japan policy seem poorly designed.

Beijing would pay a high price in national interests for indulging in psychic satisfactions over Japan. To reasonable Chinese, peace and prosperity might seem more important than how many apologies add up to An Apology (Japan has offered dozens), or who should make speeches at the UN on behalf of Asia (can any one country speak for Asia?).

The good news is that Beijing pulled back from the brink of a rupture during 2005. It will continue to do so, at least for some years, because it has too much to lose. But the mood in Japan towards China has chilled, and Koizumi's re-election will accelerate the change. A Japan that saw China eclipse the US (Japan's major ally, whose primacy in East Asia explains six decades of Japanese restraint) would surely challenge China. Once again, as for six decades from 1894, China and Japan would vie—and possibly fight—over the region. Japan can't be expected to acquiesce in any rise by China to match or surpass the US.

Chapter 3

CHINA'S PROSPECTS

A rising power's hopes are not always fulfilled. For modern authoritarian states, success has mostly been short-lived. The ambitions of all three fascist powers, which led to World War II, were abruptly cancelled by 1945. The foreign policy of the Soviet bloc collapsed virtually without trace in 1991. Taking the five foreign policy themes of China in their totality, I believe that the prospects for their fulfilment depend on the future of the Chinese political system and on how other powers react to China's actions and stated intentions.

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Within Chinese society, where the role of tomorrow's China in the world will ultimately be decided, severe strains accompany rapid economic progress and social change. The next Chinese drama will probably unfold not in foreign relations but at home, as some of the contradictions of 'market Leninism' are dramatised by a middle-class push for more secure property rights, rural discontent, use of the internet, an army of unemployed hovering between village and city, a suddenly ageing population bringing financial and social challenges, and other social factors.

Travelling one road in economics and another in politics makes it difficult to arrive at a stipulated destination. Banks used to being

Photo opposite: Urban Renewal #5, City Overview From Top of Military Hospital, Shanghai, 2004. Photography by Edward Burtynsky. Images Courtesy: Charles Cowles Gallery, New York—Robert Koch Gallery, San Francisco—Nicholas Metivier, Toronto

fingers on the hand of the state are trying to act as commercial institutions. In a measure of new candour in Beijing (and also of social tensions), the government acknowledged that 87,000 'public order disturbances' occurred during 2005, most expressing rural folk's dissatisfaction at confiscations, corruption, murky property rights and assorted malpractices of a twilight economy. How China resolves the contradictions between its politics and its economics will determine how strong a role it plays in the world. Sometimes, perhaps surprisingly, stagnation makes for stability (think Laos or Myanmar). Hurtling ahead on the basis of unresolved contradictions, as China does, is exhilarating but not without risk.

The current rise of China, like Germany's and Japan's from the late 19th century, displays high purpose, a sense of grievance and heightened nationalism. The German and Japanese rises culminated in two world wars and the demolition of each country's political system—to be replaced by a totally new polity and unrecognisably different international behaviour. Democracy, not civilisational traits or any vast difference in relative national economic levels between today and the 1930s, makes Germany and Japan well-behaved powers in our era. Great influence, which both have, is not the same as threat to others, which neither poses but both once did.

... the biggest question about China's goals appears to be the fate of its out-of-date political system over the next two decades.

Again, the biggest question about China's goals appears to be the fate of its out-of-date political system over the next two decades. A China matching the US while remaining authoritarian is a different prospect from, say, a politically liberalised 'democratic federation of China' matching the US. Many nations, far and near, would have no objection to the latter scenario.

In 1895, Cecil Rhodes said that if one wants to avoid civil war one must become imperialist (Hobsbawm 1995). This has been the PRC's old-fashioned approach to the danger of an independent Tibet or Taiwan, a unified Mongolia, or a Turkestan that rejoins Xinjiang with Muslim societies further west. Beijing thinks that only CCP rule saves the PRC from turmoil and splits. Yet stability is not always best pursued by frontal attack (consult the ghost of Leonid Brezhnev). International economic and cultural interdependence will at some point collide with autocratic empire.

The residual underpinnings of China's imperial state (although maybe not its actual power) will erode because of the economic and social changes triggered in urban China by the post-Mao regime. Official doctrine withers; belief in communism is now a minority taste. The paternalism of the party-state—drawn both from Leninism and from the 'father–mother officialdom' of dynastic tradition—is challenged by a desire for settled laws and freedom to speak one's mind.

The problem for China's authoritarian state is that the rationale for paternalistic communist rule seems largely to have disappeared. One rationale for Marxist–Leninist rule was to allocate resources, but the market increasingly does this in China. A second was to be the guardian of truth, but official doctrine can now be disregarded by most Chinese much of the time.

The problem for China's authoritarian state is that the rationale for paternalistic communist rule seems largely to have disappeared.

China may gain enduring prosperity, or China may remain a Leninist party-state, but it seems extremely unlikely that it will do both. Within a quarter of a century, either the economic or the political logic will probably gain the upper hand. If this analysis—put forward in my book *The new Chinese empire* and later in different form by Thomas Friedman and others—is sound, it clarifies the rise of China and particularly whether China is becoming a threat to the US. Were enduring prosperity under Leninism possible, China might become such a threat; since it isn't possible, Americans should be relatively relaxed about the so-far enigmatic rise of China. Some will disagree with the premise of this paragraph; should China succeed in combining prosperity with authoritarian rule for decades to come, the foreign policy challenge to the US, Japan, Australia and others would be much greater than I expect.

As for non-Chinese reactions to China's rise, East Asia retains a memory of the past Chinese Middle Kingdom. Many Vietnamese and Koreans know about the age-old hauteur of the Chinese imperial court towards neighbours. For better and for worse, some 60 million Chinese live in East Asia outside the PRC, reminding Indonesia, the Philippines, Malaysia and other host countries of the primacy of Chinese civilisation in the region. In some cases, it remains a strained coexistence. Half the population of Taiwan is flat-out opposed to Beijing's intent to 'resume' rule of their island. In a revealing 2002 poll reported in *Asian Survey* in July–August 2004, 38% saw themselves as Taiwanese, 8% as Chinese, and 50% as both.

China would learn, as the US has painfully done, that an ascendant king of the jungle feels the bites of other beasts edged aside.

China has spent decades in the self-proclaimed role of victim: 'carved up like a melon' after the Opium War, bullied by the 'imperialist' West in the 'battle for concessions' of the 1890s, and so on. Its initial success as a hegemon would quickly present unaccustomed problems. China would learn, as the US has painfully done, that an ascendant king of the jungle feels the bites of other beasts edged aside. The *New York Times* reports that China is expected to send abroad 100 million tourists a year by 2020. If this comes to pass, it's inevitable that an 'ugly Chinese' syndrome will arise in some quarters, just as an 'ugly American' one did after World War II. It wouldn't be about race but about numbers, money and perceived momentum towards hegemony.

An authoritarian China probably lacks the moral appeal to lead an increasingly democratic Asia. It seems too nervous about its control over its own Chinese people, who essentially live within the old boundaries of the Ming rulers (half of the PRC). It lacks a comfortable grip over its internal non-Chinese semi-empire (encompassed by the Qing dynasty boundaries).

Traditional Chinese empire was arguably stabilising for Asia, but in the 21st century any Chinese bid for extension of the PRC empire, even a long continuance of its current multinational realm, might be destabilising.

An authoritarian China probably lacks the moral appeal to lead an increasingly democratic Asia.

Empire and communist autocracy were tightly related in the Soviet Union. China, like Russia a landmass empire that did not *have* an empire but *was* one, reveals the same interconnection. The break-up of the Soviet Union ended the Cold War hardly less than did the cracking of the communist party's monopoly on political power in Moscow. Brzezinski's remark may be true of Beijing as well as Moscow: 'Russia can be either an empire or a democracy, but it cannot be both.'

Under pressure, Moscow is redefining its national interest for post-communist empire life. China has hardly begun this process. The Chinese leaders may ask whether they could smoothly rule a society as different from the PRC as today's Taiwan. They might ponder whether having Tibet as a state associated with China—under China's shadow, to be sure, but sovereign, like Finland beside the Soviet Union—might not be better than everlasting tension between Lhasa and Beijing.

These questions haven't been asked, because China is in transition from communist empire to modern nation. China may therefore be uncertain about the difference between what it wants and what it really needs.

National myths (China as victim) are beguiling; a beckoning national interest (China as modern) seems more compelling.

National myths (China as victim) are beguiling; a beckoning national interest (China as modern) seems more compelling. Of course, a modernised China could gracefully shed its role as victim.

Globally, additional questions arise about China's opportunities, and perhaps capacities, to be the new hegemon. Today's Beijing can't project its power far away; after the 2004 tsunami, it couldn't even do so to Southeast and South Asia. Should China seek to have the impact in Africa and Latin America that Europe and the US have had, problems would arise, including language, race, and religion or world view. These problems could be mitigated as China rises, but the process will inevitably be slow.

Does China have the philosophical equipment for world dominance of the kind Britain once enjoyed through sea power, or the US now enjoys through business dealings, military power, popular culture and ideas about democracy and free markets? The Maoist sense of mission was certainly strong, like the Protestant-induced Anglo-American sense of mission, but

without a sharp communist edge Chinese nationalism lacks a message for the world. The US under President Bush bristles with a message even as it controls almost no non-Americans. Today, the PRC lacks a message but is assiduous in control at home and ambitious for a sphere of influence.

Nations can possess two kinds of soft power. One is the ability to win a standing ovation at ASEAN summits, membership in the UN Human Rights Commission, a seat for a national on the International Court of Justice, and favourable editorials in the *New York Times*. This soft power begins and ends with elites.

A second kind of soft power is in attracting students from all over the world; seeing your music and movies checked out round the clock in every country, and your help after a tsunami save lives and win hearts; watching your businesses become the international gold standard; mounting research that is the best in the world; and producing writers whose names are known in every educated household on every continent.

... Chinese civilisation could display enormous soft power in the longer term.

China reaches for the first kind of soft power; the US half-consciously enjoys the second. It must be said that the second kind of soft power is ultimately more consequential than the first. That said, Chinese civilisation could display enormous soft power in the longer term. Let's remember that the CCP has spent many of the PRC's fifty-seven years repressing some of the best aspects of Chinese culture, values, and general non-political talent.


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Chapter 4

IMPLICATIONS FOR AUSTRALIA

Australia's situation and options

With patient explanation, time in office and some good luck, the Howard–Downer team has demolished a number of bogies of the mid-1990s: that post-Keating leadership wouldn't be able to deal with Asia; that Australia would have to 'change' or it wouldn't 'fit in' with Asia; that ANZUS was an outmoded Cold War relic; and that for Australia a choice yawned between China and the US.

Looking back, the picture seems brighter and smoother than forecast.

Australia now has its best relations for decades with *both* the US and China …

Australia now has its best relations for decades with *both* the US and China; the only comparison would be Australia's ties with Chiang Kai-shek and Franklin Roosevelt in 1943–44, but then each tie was much thinner. The Coalition has proved to be on sound ground with Australian public opinion by putting alliances first and not making a fetish of an essentialised Asia (Gyngell 2005, McAllister 2005). The demystifying of Asia is likely to prove an enduring adjustment. After all, Australian interests should be put ahead of sentiment, whether in regard to the US or to Asia.

At the same time, national interests include values, and Australia has no reason to be apologetic for its values, institutions and most of its foreign policy record. It's a handicap to underestimate our weight.

Photo opposite: Shipyard #6, Qili Port, Zhejiang Province, 2005. Photography by Edward Burtynsky. Images Courtesy: Charles Cowles Gallery, New York—Robert Koch Gallery, San Francisco—Nicholas Metivier, Toronto

The old self-deprecation—living on today as a lack of appreciation for Western values and the conversion of multiculturalism from a principle of tolerance to a statement of national identity—is unfortunate.

Australia's international profile has risen in recent years.

Australia's international profile has risen in recent years. The *Wall Street Journal* made a passing comparison of Canada and Australia during the January 2006 Canadian election campaign. 'There is dismay over Canada's declining role in world affairs,' it said of the conservative comeback under Stephen Harper. 'It was once akin to Australia in its ability to participate in Free World alliances and peacekeeping missions.' The editorial went to say that in Canada's case 'neglect of the armed forces' and dismissal of the Bush Administration as 'cowboys' had 'badly damaged Canada's influence'. Not that long ago, a typical Northern Hemisphere editorial comparing the two countries would have styled Canada the influential one and Australia the laggard.

Beyond political changes, sharp choices about Asia have mutated because of globalising forces, both good and bad. Allan Gyngell has pointed out that the combined effect of the Asian financial crisis and the War on Terror has redefined the terrain of Australian foreign policy (Gyngell 2005). Both have operated to reduce the weight of regionalism, blunting the 'choice' for Australia between Asia and the West. For example, the Asian financial crisis and its outcome gave the Howard Government the opportunity to strengthen, in varying ways, Australian ties with China and Indonesia.

Premises for Australian policies

The answers to several questions yield premises that seem crucial for the making of Australian foreign policy:

1. Is the US likely to remain extremely strong or is it slated to fade?

That the US would decline or lose interest in East Asia has been predicted off and on for decades. The argument was heard when the Vietnam War ended in 1975, and again when Japan seemed poised to eclipse the US economically in the 1980s. Paul Kennedy claimed in his *The rise and fall of the great powers* in 1987 that the US was 'overstretched' and would decline; instead, Reagan's 'overstretching' helped bring down not the US but the Soviet Union. Even the collapse of the Soviet Union, some said, would end any American 'incentive' to be world policeman. It never seems to happen. Some of the Australian media and much of academia continue to predict the fading of the US, and so far they continue to be disappointed. One suspects wishful thinking; otherwise, how could so many predictions be so wrong so many times?

Policy swings on the answer to this question. Of course, China could fill the 'vacancy' in East Asia if the US picked up its marbles and went home. On the other hand, if the US is predicted to remain the sole superpower for, say, the next quarter-century, one may have confidence in ANZUS, the US–Japan security relationship and other bases of East Asian stability. The false choice between proximity to the US or to China arises largely from a false premise that the US is weakening.

Even a possible messy outcome in Iraq wouldn't shake the US's primacy in East Asia, in hard power and soft power alike.

Let's be clear: for better or worse, the American position in East Asia is stronger now than before 9/11; stronger than before the collapse of the Soviet Union; stronger than when Japan was widely seen as the coming Number One in the 1980s; and stronger than when Nixon, under severe pressure, announced his accommodating Guam Doctrine in 1969. Even a possible messy outcome in Iraq wouldn't shake the US's primacy in East Asia, in hard power and soft power alike.

2. Are most powers, especially those we see as possible adversaries, more likely to act in unacceptable ways when faced with weakness or with strength?

Again, there's a sharp division in Australia on this vital question. 'Strength is provocative,' argue some, instancing Bush's pre-emption stance. If you announce an 'axis of evil', you've virtually created a tripod of enemies that would otherwise not exist. If all you have is a hammer, everything looks like a nail.

Others are inclined to ask, 'Isn't weakness risky?' If you let your guard down, aggression is encouraged. If you don't lock your door, you'll soon be burgled. In East Asia, the evidence is strong for this proposition. The Qing dynasty found weakness fatal as the West banged on its doors in the 19th century. Japan benefited from British and American (and Australian) weakness of will in not standing up to it in the 1930s. As is now well known from documents of the governments concerned, we owe the outbreak of the Korean War in June 1950 not to American or South Korean assertiveness, but to American weakness in not signalling clearly to Stalin, Kim and Mao in January 1950 that a military reunification of Korea under Kim would not be acceptable.

The list is long of occasions when strength produced caution among those who beheld it, and when weakness led an aggressor out of his lair. US strength in the first Gulf War did not unleash China, but sobered it; the realisation grew in Beijing that only after many years could China easily take Taiwan, should the US resist. Likewise with the Iraq War: shortly before the US invaded Iraq, Beijing warned of 'serious consequences' if it did so. No serious consequences came upon the US from China after the invasion. As usual, China chose to respect success, rather than challenge it.

At the annual meeting of the Association of Asian Studies in New York in the early spring of 2003, Professor Peter Katzenstein of Cornell University predicted that a US invasion of Iraq would bring the US and China to the brink of conflict. I responded by saying that US–China relations were more likely to improve after a successful US invasion of Iraq. As Baghdad fell, no brink of Sino-American conflict came into view. The lesson that strength serves peace better than weakness also applies beyond East Asia. Reuel Marc Gerecht has noted in the *Weekly Standard* that it was the US retreats from Lebanon in 1984 (under Reagan) and from Somalia in 1994 (under Clinton), not the original US interventions there, that gave al-Qaeda the idea that it could confront the US.

Additional challenging questions yielding premises for Australia's foreign policy may be mentioned briefly.

3. Must a satisfactory alliance be one of equals?

Critics of ANZUS draw attention to the 'one-sidedness' of the Australia–US relationship, but few pacts in history have been between equals while a vast number have been between larger and smaller powers. The issue is whether one's interests are served by an alliance, not whether the alliance is between powers of equal strength. Washington benefits from ANZUS, even though Australia is of modest weight compared with the US, because of Australia's geographic situation, stable institutions and proven reliability as an ally.

Canberra benefits, despite the disparity in weight, in ways proven over six decades, and furthered and accepted by both ALP and Coalition governments from Curtin to Howard. The inequality of power does not negate the value of Australia's tie to the US, any more than it negates the value of South Korea's tie with the US, or the UK's with the US; nor did vast inequality of power negate Kuwait's benefit in being liberated from Saddam Hussein's occupation by the US.

4. Are analysts, including Australian intellectuals and ASEAN diplomats, correct to say that drawing China into international organisations will further de-ideologise Beijing's foreign policy?

This question cuts both ways. China's rising power is likely to toughen its stance on some issues but soften it on others. Added clout may make Beijing more assertive towards Japan and ultimately more demanding of Australia, but it might also modify China's anti-US stances, insofar as those stances prejudice access to the American markets, investment and know-how that help to sustain the clout.

Taiwan seems a middle case. Only relative weakness (and other pressing business) stopped Mao from taking Taiwan soon after winning power in Beijing in 1949. Yet the status quo over Taiwan today, frustrating as it is to Beijing, suits China in practical ways. Even a mighty China might not find it easy to actually rule a society as singular as Taiwan.

5. Is an authoritarian regime ultimately strong or weak?

This question could have been asked—a few did ask it—of Suharto's Indonesia. It could have been asked more often of the Soviet Union from the 1960s through the 1980s. It must also be asked of the PRC today. I believe true stability, which is an important element of strength, arrives indirectly when safety valves exist to drain away potential threats to stability. Democracies like Australia and the US, despite raucous election campaigns, have proved totally stable over a period that runs into centuries.

The Brezhnev era in the Soviet Union was a time when Moscow, like Beijing for the past fifteen years, effectively prevented turbulence at the top of the communist party and serious revolt within society. 'Stability', indeed, marked the eleventh hour of the Soviet Union's existence. Political repression that temporarily serves stability, however, can also be a ticking time bomb; the absence of free debate allows pathologies to grow unchecked within the polity. In the end, China's growing power in the world will interact with growing liberalisation at home, creating new policy pressures and ultimately new options.

Differing opinions on these five varied questions are inevitable. The answers in this paper are based on one analyst's reading and experience and are only as strong as the reasons given for them. What seems important is that clear arguments should be offered in Australia on both sides of each question, the better to clarify the premises needed for an ongoing, robust and successful foreign policy.

Australia and China

China is a different challenge and opportunity from most previous rising powers. Its vast market sets it apart even from the Japan that rose since the 1970s. The sheer size of China's population also elevates the potential movement of people and environment issues to an unprecedented level. China today is not obsessed with ideology and weapons as the Soviet Union was, but even a prudent dictatorship is still a dictatorship. It would be a mistake to see China, in its meaning for Australia, as simply following in the footsteps of Japan and South Korea. This is my conclusion from question five in the previous section.

China practices mercantilism. As Clyde Prestowitz has noted in the *New York Times*, there are two different concepts of globalisation. One is held by democratic countries that follow market principles and practise the rule of law. A second—Beijing's concept—'focuses on economic development as a matter of strategic significance'. Unlike Japan, China is an aggrieved power. Unlike Japan, China is a political dictatorship, and dictatorships are rarely stable for long periods.

Democracy has become central to trends and possibilities in East Asia; one way or another, this will affect future regional organisation. Can it be an accident that the two most antidemocratic regimes in Asia, North Korea and Myanmar, are its chief troublemakers (principally through weapons and drugs)?

Until now, Australia's ties with dictatorships have never been as close and enduring as those with other democracies ...

Until now, Australia's ties with dictatorships have never been as close and enduring as those with other democracies; the recent downs and ups of relations with Indonesia illustrate the point. What the US and Australian militaries did in support of Indonesian people in Aceh after the tsunami would not be possible, for example, should disaster strike in Tibet or Xinjiang. Beijing wouldn't welcome or permit such access, even if aid were sorely needed.

Until now, the world has never seen a sustained semicapitalist boom under the auspices of a Leninist government. We stand on fresh terrain, and all points of view, including this paper's, can be questioned. Australian China policy can and currently does blend full engagement with participation in preserving an equilibrium in East Asia that discourages Beijing from expansionist policies.

We're a partner with China in important ways, but Beijing also knows that we're strategically aligned with the US, Japan and other democracies. No contradiction exists between these twin stances.

There are two Chinas, after all: a command economy that sags, and a free economy that soars; a communist party that scratches for a raison d'etre, and 1.3 billion individuals with private agendas. Being wary of authoritarian China while engaging with emerging China is a dualism we can live with.

Being wary of authoritarian China while engaging with emerging China is a dualism we can live with.

Such dualism is part of a tradition older than this century and broader than Australia–China relations. Diplomatic engagement and military readiness are seldom stark alternatives; they often go together, and military action is nearly always accompanied by diplomacy. Australia has never used international norms or better relations with Asian neighbours as a primary path to national security, replacing or eclipsing alliances. Equilibrium of power protects the peace for long periods; diplomacy rescues the peace in crises. In an era of globalisation, economic relations and the movement of peoples are part of our dealings with all powers, mixed in different proportions with military preparedness.

There's no need for Australia to automatically follow American China policy.

There's no need for Australia to automatically follow American China policy. Australia's China policy should be based not on an abstract impulse to be 'independent' but on Australia's interests. These will often overlap with American interests, but not always. In the Taiwan Strait, the primary issue for Canberra is not the terms of ANZUS, but the methods employed in China–Taiwan relations and the balance of power in East Asia. It's reasonable for Australia and other powers to insist to all parties that any change in Taiwan's situation comes peacefully and with the wishes of the people involved. It should also be contemplated that Taiwan's absorption into the PRC, in whatever fashion, would change the strategic situation for Japan, the Philippines, Vietnam and other countries more distant, as well as for international shipping in East Asia.

I suggested above that China has limited interest in an international community that aspires to common values and interests. Yet the quest for international community in East Asia must go on. This poses a dilemma for Australia and its democratic friends. Certain developments suggest a need for Australia to seek a multilateralising of the alliance structures in East Asia. As pointed out by Rod Lyon, the War on Terror has highlighted some limits to bilateralism in today's globalised environment (Lyon 2005). The appearance of a 'coalition of the willing' in Afghanistan and Iraq suggested these limitations. Additionally, since the collapse of the Soviet Union, a surge of democracy has put values more centrally into international relations.

Where does this leave the prospects for regional organisation? In our time, the record of international organisations that are all-inclusive, with democracies and dictatorships seated side by side, has been disappointing. Even the UN General Secretary has finally acknowledged the decline of UN moral authority by proposing the abolition of the fatuous UN Human Rights Commission.

It may even be that Asia as a whole—so diverse, far-flung, asymmetrical, and fixed in many of its ways—won't come up with a truly regional organisation for decades.

Nevertheless, for the moment it's difficult to envisage a values-centred regional organisation in East Asia. It may even be that Asia as a whole—so diverse, far-flung, asymmetrical, and fixed in many of its ways—won't come up with a truly regional organisation for decades. Paul Dibb struck a warning note several years ago: 'From the Washington Conference in the 1920s to SEATO, history has not been kind to proponents of collective security in Asia.'

On the other hand, some multilateralisation of the US's numerous bilateral relationships in the region is quietly taking place. The Australia–Japan–US security dialogue is an example. The fact that divided countries (Korea and China–Taiwan) are the source of East Asia's two greatest security dangers connects the issue of international security with the issue of the will of the people. Korea wouldn't have split into two but for large differences over political philosophy. Likewise, Taiwan became a separate redoubt for the Nationalist regime—and a target for the PRC—when the Chinese civil war was brought to its shores in the late 1940s.

Democracy may well have much to do with the eventual reunification of Korea and the future relationship between Taiwan and China. While it's too soon to talk of an association of Asia–Pacific democracies, one might note that the ground could be ripening for such a step. It would be the first values-based regional organisation in East Asia and a natural reflection of the surge of democracy in a post-Soviet Union world.

Martin Wolf of the *Financial Times* gives two good reasons why it's wrong to talk of the containment of China; they're also reasons for hope in an eventual values-based East Asian community. There exist today a 'capitalist peace' and a 'democratic peace,' says Wolf. It's reasonable to expect that the outcome of China's rise will be shaped by both. The capitalist peace is based on the idea that today, by contrast with previous eras, prosperity comes from free markets, trade and investment, not from empire or conquest. Hanoi could testify bitterly to this truth. The younger leaders of the CCP, at least, know that China's initial prosperity has come in substantial part from involvement with the capitalist international economy. The democratic peace is based on the surge in the number of democratic polities in recent decades and the empirical reality that democratic countries do not seem to fight each other. Democracies may choose war less readily than authoritarian states do because voters, who produce the democratic regimes, are loath to bring the danger of war upon themselves. Much easier, indeed, for a dictator to choose to bring that danger on his muzzled people; Mao did it several times in the two decades after 1949.

The success of capitalism in East Asia has facilitated China's own success. However, the surge of democracy in all parts of the world, including on China's immediate borders, has made Beijing uncomfortable. China's internal transformation must at some point interact with the 'democratic peace'. A cooperative world with China prominent is highly desirable and possible. At the same time, any transnational future in East Asia must be built from below, based on the mandate that comes from voting publics. It's a challenge for our time—and for the Chinese people—to bring these two visions together.

No great civilisation is dictatorial by nature. An equilibrium that balances Beijing is also an invitation to Beijing. As China liberalises, it could be a major participant in any future association binding the Asia–Pacific nations in common values. Chinese tradition offers political visions other than autocracy, including the humanist strain of Confucianism and autocracy's near opposite, the Daoist idea of minimal rule; these philosophies have the potential to enrich all of East Asia. 'We do not urge the cause of freedom to weaken China,' said Robert Zoellick, US Deputy Secretary of State, in a September 2005 speech, and eventually democracy will make China not weaker but stronger.

Australia and its allies must consider what kind of Chinese leadership in Asia is acceptable and what is not.

Australia and its allies must consider what kind of Chinese leadership in Asia is acceptable and what is not. China's rise is generally to be welcomed; it brings cultural enrichment and a market for Australian products. In addition, a united and strong China is more desirable for Australia, the US and others than the sharp alternative—common historically—of a fragmented China. In modern times, a China in disruption has led to intervention by Russia, Japan or both. In today's world, it would also lead to a huge and sudden migration of people.

Not welcome, on the other hand, would be a rising China with territorial claims and a mandate of history based on self-entitlement; a China that grows strong while remaining authoritarian, threatening Taiwan, locking up democrats, making a vassal of Myanmar, squeezing religion in Tibet, and blocking internet sites. Such a China could neither be stable nor a true friend to its neighbours.

It's earnestly to be hoped that the first type of Chinese leadership will eventuate. The Bush Administration has expressed keenness for this outcome. Said Zoellick in his 2005 speech: 'The global economy of the 21st century is a tightly woven fabric. We are too interconnected to try to hold China at arm's length, hoping to promote other powers in Asia at its expense. Nor would the other powers hold China at bay, initiating and terminating ties based on an old model of drawing-room diplomacy.' Zoellick went on to say, 'Picture the wide range of global challenges we face in the years ahead—terrorism and extremists exploiting Islam, the proliferation of weapons of mass destruction, poverty, disease—and ask whether it would be easier or harder to handle those problems if the United States and China were cooperating or at odds.'

This paper has spoken of China as ambitious, but isn't China a rather conservative power? Each proposition has passionate adherents, yet the two have a *yin–yang* relation. Beijing's claims to lost territories are transparent and unique in scale among claims by today's powers, but the Beijing regime, while a dictatorship, is a rational dictatorship. It can count the numbers. It's been patient in pursuing its goals for the past quarter-century. Equipped with a growing cadre of well-trained, younger officials, Beijing does not, like the Ming and Qing courts, deceive itself with fictions to hide the gap between reality and its preferred world view. China surely realises that a formidable list of powers—US, Japan, Russia, India—have a variety of reasons for denying it the opportunity to be a 21st century Middle Kingdom.

China, in sum, is an ambitious power that seems to know its problems …

China, in sum, is an ambitious power that seems to know its problems; if faced with countervailing power, it will (hopefully) act prudently in its long-term strategy. In that way, it could enjoy the peaceful environment necessary for its modernisation.

China wasn't as weak as it seemed when it was the 'sick man of Asia' in the first half of the 20th century. It may not be quite as endurably strong as it seems now to those who fear or admire it.

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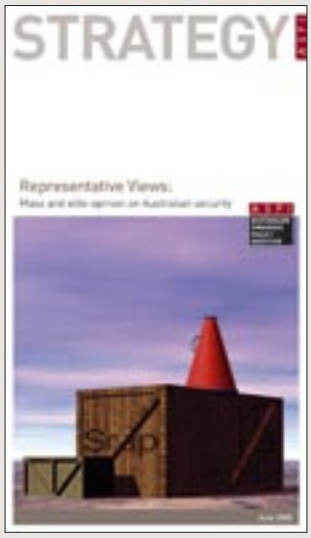

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The rise of China and options for Australian policy

This paper looks at the rise of new powers in comparative terms. The People's Republic of China's rapid economic growth rates are accompanied by military advances, a heightened quest for markets and resources, diplomatic assertiveness, and increased national pride. China's role is now of global importance.

Chinese foreign policy seeks to maximise stability at home, sustain China's impressive economic growth, and maintain peace in China's complicated geographic situation. More problematically, it seeks to blunt US influence in East Asia and 'regain' territories that in many cases are disputed by others.

Ross Terrill argues that China's fulfilment of its foreign policy goals will depend on the evolution of its political system and the reaction of other powers to its ambitions.

Within China, the directions of economics and politics diverge. Social strains dramatise the contradictions of communist rule over an increasingly free-market economy.

US strength still markedly eclipses China's, and Beijing faces a complex environment and heavy tasks of domestic development and preserving internal stability. The US is unlikely to move aside in favour of Chinese pre-eminence, though some common interests seem likely to limit Washington–Beijing tensions.

The two cases of North Korea and Japan indicate the complexity of Beijing's foreign policy position.

Australia's situation in the region has changed mostly for the better over the past decade, and some sharp choices of the 1990s seem to have been transcended by globalisation, economic developments and the challenge from terrorism. This paper urges clear thinking by Australians about whether the US will remain strong and engaged in the region, the proper place of deterrence, the ways Beijing's mercantilism differs from free-market approaches to the international community, and whether an authoritarian China can also be an enduringly strong China.

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