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## **China as a Rising Power: Implications for the Asia-Pacific Region**

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## **China as a Rising Power: Implications for the Asia-Pacific**

**Aileen San Pablo-Baviera\***

It has been said that of the principal defining events facing us as we enter into the new millennium, China's emergence as a world power will have an impact that is far-reaching and wide-ranging.

China's successful economic performance has already changed the configuration of the global economy. The PROC economy has been growing by an average of 9% since 1979. From 1978 to 1996, China's foreign trade volume increased 14 times to reach US\$289.9 billion, placing it among the world's top 10 trading powers. Finished goods have accounted for more than 80% of China's exports. It now enjoys a small trade surplus, after suffering huge deficits during the 1980s.

Foreign direct investments reached US\$177.2 billion by the end of 1996, with China becoming the second biggest destination of FDI -- next only to the United States. Foreign exchange reserves hit a record of US\$105 billion in 1996. In recent years, Chinese enterprises have in fact begun to invest abroad.

This Chinese economic dynamo has helped fuel unprecedented growth in the Asia-Pacific region. 80% of China's foreign trade and 90% of its overseas capital are sourced from this region, with Japan, the United States, Hong Kong, South Korea and Taiwan as major trading and investment partners. Many Southeast Asian companies that have successfully gone global have also established China operations. Rather than allowing their economies to suffer from Chinese competition in terms of access to traditional Western markets and in terms of diversion of investment and official development assistance, many of the more dynamic economies of Asia were keen to jump on the Chinese bandwagon and exploit opportunities made available by the reform and opening up.

The success of the Chinese brand of market socialism has also helped mitigate possible remnant ideological conflicts in the region. It does this by providing an alternative development model for remaining socialist states - Vietnam, Laos and the Democratic People's Republic of Korea. This model allows communists to remain in power even while their countries enjoy the benefits of integration with the world capitalist economy.

Finally and most importantly, reforms have helped improve the standards of living of a significant percentage of the world's population, China's population being roughly 20% of the world's total. They have contributed to stabilizing China's internal political situation, thus preventing a disintegration that could potentially cause massive refugee crises in the region. Ironically, while there are many in East Asia who fear the

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prospects of having to managing this robust, confident, awakened Chinese dragon that towers above us all, it is the image of having a sick, hungry, unhappy, and suspicious beast nearby that is far more dreadful. Japan's phobia of the mere idea of millions of Chinese economic and political refugees streaming onto its shores is a case in point.

At present, China is a power in its own right, but it is not yet the comprehensive power that it aspires to be. China has a declared national goal of achieving comprehensive power status, i.e. having a strong economy, considerable political influence, a modern military and the necessary technological wherewithal within easy grasp. Indicators of present Chinese power include the huge size of its land area and potential resources; fundamentally sound economic infrastructure, a huge and talented population; a strong state with a powerful ruling party, and a rapidly growing wealth-generating private sector.

There are many obstacles to China's attainment of comprehensive power status, including current economic problems. There are serious imbalances in the levels of development between rich coastal areas and the backward interiors, widening income gaps within and among geographic areas, lack of infrastructure to support market policies, low level of development of human resources, and the need to develop capital markets and financial institutions to support future infrastructure development. On top of this is political dissent among certain urban groups, growing disaffection by peasants who have not benefited from recent growth, and separatism in some border regions.

Most certainly, China can not just yet be considered a status-quo power, or one that is entirely happy with the world balance of forces. It is true that Chinese elites have had a very positive view of the world situation since the end of the Cold War. The absence of serious threats to China's security from its traditional enemies and rivals (among them, the former Soviet Union and India) has provided major relief and thus allowed Chinese leaders to focus almost singularly on its economic development programs. The opening up of its economy to foreign participation has broadened China's stake in preserving peace and stability in the region and in the world. The United States and Japan, the two major linchpins of the global market economy and the two status quo powers if ever there are any, are China's most important trade and investment partners. Therefore it may be argued that China shares their fundamental interests and objectives.

Yet, in the eyes of many informed observers, China still manages to come across as an anti-status quo power. It is openly dissatisfied with the current global and regional balance of power characterized by US domination. Chinese advocacy of the creation of a multipolar world order is an indirect challenge to what it perceives as strengthening US hegemony in global affairs. Beijing is involved in various acrimonious economic and political disputes with Washington. These disputes cover issues such as US policy towards Taiwan, arms sales to so-called "rogue states" (e.g. Iran), intellectual property rights, human rights violations, and others. Beijing is also confronted with territorial and sovereignty disputes with its neighbors: over the Paracels with Vietnam, over Spratlys with five other claimants including the Philippines, over Diaoyutai with Japan, over Tibet and other land border issues with

various other countries of the Asian continent.

Having suffered humiliation at the hands of other powers in the past, the Chinese people are prone to translate their new-found self-confidence into narrow nationalism. In light of China's increasing overall power and ambitions, it therefore comes as no surprise that many China observers see China as at least a potential source of instability in the decades to come.

Is China's rise as a power inevitable? China still faces many internal and foreign policy problems that will limit its projection of influence in international affairs. It is entering into its most delicate stage of economic reform - the restructuring of state enterprises. This strikes at the core of China's remaining facade of socialism. Half of China's state-owned enterprises were reportedly operating at a loss in 1996. During the 15th Party Congress in September this year, the Communist Party finally made the decision to take the bitter pill and privatize a large number of these enterprises, risking possible social instability arising from massive unemployment in the state sector. The challenge for the leadership is how to soften the blow for the affected sectors.

Political reform likewise cannot be postponed indefinitely, given generational change in the leadership. Already, legal reforms are continually being introduced in an attempt to strengthen the rule of law. Democratic electoral choice at village and township levels has been expanding. At the highest level, antipathy to Western-style, formalistic, multi-party democracy remains strong. However, there appears to be a growing number of adherents to liberal ideals among younger, especially Western-educated, elites.

Yet political reform must be managed in such a manner that progress in liberalization is achieved without undermining political stability. Such stability, it has been argued, rests on the legitimacy of communist party leadership. But the present leadership must be able deal with the revolution of rising expectations among its burgeoning, better-educated, increasingly cosmopolitan middle class.

Will China be a benign power or is it a hegemon in the making? China will act in its own self-interest, as any country would be expected to. It has demonstrated how it can be a constructive and important force for preserving world peace: through its role in the Security Council of the United Nations, support for non-proliferation of weapons of mass destruction, in the positive influence it has brought to bear upon the North Korean regime, its preparedness to engage in multilateral cooperation in the World Trade Organization, APEC, and the ASEAN Regional Forum, among others.

Historically, it is argued, China has never been hegemonic. On the other hand, it may also be argued that China did not have the compelling reason nor means to throw its weight around in the past. This seems to be changing. Ever a continental power (except for exploits of the Admiral Cheng-ho), China is now embarking on an ambitious naval modernization program that will turn it into a maritime power as well within a relatively short period of time. Military doctrine is shifting from the emphasis on luring the enemy into one's territory (a key feature of people's war) into engaging

the enemy before he reaches the border. The People's Liberation Army has also been indoctrinated with a new mandate of "safeguarding China's territorial integrity and protecting maritime rights". This is actually not too different from what other navies in the region are trying to do, except that China has many times more ships and more personnel than most other countries combined. Moreover, it is perceived that China has irredentist tendencies, and that its leaders seem to harbor the illusion that any piece of territory written about in Chinese dynastic records belongs to them.

Because of uncertainty regarding both China's capability and intentions, China's neighbors and other powers are bent on bringing it into processes of dialogue, consultations, confidence-building measures and cooperative activities. It is important that China enhance the transparency of its intentions and become constructively engaged in building a new post-Cold War security order. The 1993 creation of the ASEAN Regional Forum, APEC's counterpart in regional political-security dialogue, was precisely intended as a means to keep China engaged.

The true challenge of managing the rise of China is in helping create, with China rather than against it, a regional and global order where the security of one is the security of all, and where the prosperity of one is the prosperity of all. This is the basic philosophy of the APEC framework, pursuing a "prosper thy neighbor" and a "win-win" approach. It is also the ARF philosophy, where common security can be arrived at cooperatively even among potential adversaries.

It has often been argued among China watchers that the surest way to transform China into a hegemon is to behave as if it were one, to "demonize" it and then to try to "contain" it. Such a self-fulfilling prophecy must be avoided, but, and this must be emphasized, not at all costs. At the risk of oversimplifying a rather complex issue, one can say that on the question of whether a fairly defenseless country such as the Philippines should conduct its security policy on the assumption of a benign China or a potentially aggressive one, it is still best to err on the side of caution.

From the realist international relations perspective, the key to the future direction of China's rise as a power is its relations with two other key players -- the United States and Japan -- and how the trilateral balance among the three shall be maintained. This is the question uppermost in the minds of many at present. There is no time in this paper to go into this at great length. But I wish to add that we, too, in Southeast Asia, who live in China's shadow, but who are no longer minor players where events in our own backyard are concerned, will have a historic responsibility to help manage the rise of China.

Off-hand, some premises and pointers we may wish to consider are the following:

- (1) Southeast Asia, the Philippines included, must learn to see China as a rich source of opportunity rather than merely as a potential threat;
- (2) There is a need to create a stable balance in the Asia-Pacific region -- no

longer a balance of power in the traditional sense, but a balance of legitimate interests more in keeping with the realities of interdependence;

(3) China must be comprehensively engaged, not militarily but in diplomatic, political, economic, functional, social, cultural intercourse; and not just by the United States, but more importantly by those of us who live close by;

(4) China's "big-power" mentality -- its "Middle Kingdom" complex -- must be neutralized, and China must be made sensitive to the effects, intended or otherwise, of its size and growing power on other countries of the region;

(5) It is to the benefit of all that China should develop an even greater stake in the security and prosperity of its neighbors and potential adversaries; and

(6) The creation of a new post-Cold War architecture or arrangements for international economic and political relations must involve China, without necessarily revolving around it.

Evidently China wishes to take its rightful place in the international community as one of the great nations and civilizations of both ancient and modern times. Its rising economic and political power is a cause for both admiration and envy by its neighbors on the one hand, and great apprehension on the other hand. China would do well to demonstrate that it is prepared to be a gentle giant after all.