

FIRST CGL DISTINGUISHED VISITOR SPEAKS ON CHINA'S RISE AND ITS CONSEQUENCES FOR EAST ASIA AND THE UNITED STATES

China aspires to be a comprehensive, global power, possessing not just military force but also economic and intellectual might in a balanced portfolio of power. Thus, it would be short-sighted to see China's rise primarily in military terms, as many Americans tend to do, and to underestimate China's potential for normative power and economic dynamism and innovation. This was one of the key points made by the eminent China scholar **Professor David M. Lampton** during a visit to Singapore from 24 to 30 May as CGL's first Distinguished Visitor.

Prof Lampton, who is the George and Sadie Hyman Professor of China Studies and Director of China Studies at the Johns Hopkins School of Advanced International Studies, USA, presented a "New Insights Lecture" on "China's Rise and its Consequences for East Asia and the United States". He also participated in several closed-door events during his stay in Singapore, including meetings with ministers, roundtable discussions with various government agencies, and a full-day practitioner's workshop for senior officials.

Professing to be a realist, he asserted that China's rise could be a win-win situation and not necessarily a zero-sum game. He believed the Chinese leadership was unlikely to engage in adventurism abroad as it would be preoccupied with the enormous internal problems and vulnerabilities that China faced. Cataloguing China's domestic challenges and their possible spillover effects, he warned that China's impact globally was likely to be felt through the unintended consequences flowing from its headlong rush for growth rather than the malevolent use of military force and that a real threat posed by China was not in its rise but its potential fall. He suggested that the US could best respond to the rise of China by enhancing its own economic competitiveness and cooperating to ameliorate the unintended, but nonetheless harmful, spillover effects. With respect to the Asian security architecture, Prof Lampton felt that it was still premised on a Cold War framework and needed adjusting. He suggested that the US and its Asian partners bring China into the various regional security structures rather than see China as the object of those structures.

The Three Faces of Chinese Power: Might, Money, and Minds

Drawing on some of the points he has made in an upcoming book by the above title, Prof Lampton noted that China aspired to become a comprehensive global power that possessed coercive, economic and normative power. Its national strategy for achieving this objective involved a policy of openness and reform through marketisation and urbanisation but that de-emphasised political liberalisation. This was the strategy that had begun under Deng Xiaoping but it was a flexible strategy that adapted to changing circumstances while maintaining its general strategic thrust. After Mao's dependence on coercive power and Deng's on economic power, China now seeks a more balanced mix that also employs "idea power," said Prof Lampton.

Might

Prof Lampton observed that China's leaders did see threats in the external environment at the same time that they faced a generally improved security situation around their long periphery. For this reason, Beijing is intent on enhancing China's military capabilities. But, the key

challenge for China's grand strategy in this respect would be to continue its military modernisation without overburdening the domestic budget and while managing the anxieties of other states—it does not wish to set off a regional action-reaction, arms spiral.

Since the Taiwan Strait missile crisis of 1995/1996, when the People's Liberation Army (PLA) had to back down after the US dispatched two carrier battle groups to the waters around the Straits, China had begun to place more emphasis on military development than it had in the Deng Xiaoping years, noted Prof Lampton. Former President Jiang Zemin wanted a more effective military to deter Taiwan from declaring independence. The increased emphasis on military development was also in part to reward the PLA for the crackdown at Tiananmen earlier, in 1989, and the revolution in military affairs demonstrated in the first Gulf War and in Kosovo. China's military expenditure has increased by double digits since 1990 except for one year. This was partly a reflection of the growth in China's GNP and government budget in general. Although total manpower in all branches of the PLA had shrunk by about 50 percent from 1978 to 2.2 million today, the PLA has enhanced its intelligence, logistics and joint warfare capabilities through better technology and training. Nonetheless, even the US Department of Defence acknowledged that China still had a long way to go in its power projection capabilities.

Prof Lampton noted that neither the US nor China thought conflict between them was imminent but both countries took each other into account when planning for possible big power conflicts. He agreed that Taiwan was the biggest potential flashpoint between the two countries. China's leaders could not avoid responding if Taiwan declared independence because non-response might cost them the support of the Chinese people.

Prof Lampton stressed that China's rise need not be seen in zero-sum terms and the West should not go by the Chinese saying that "one mountain could not have two tigers". He faulted the US military-security bureaucracy for having created powerful constituencies for its view on the Chinese threat and exacting disproportionate influence on US public opinion. On the other hand, China, he said, had to be mindful that its growing military capabilities were causing anxiety in the US and Asia. Hence, Beijing was trying to reassure the US and the region of its benign intentions and stave off an anti-China front by a number of means, including military diplomacy. But Prof Lampton felt that China could be more transparent about its military budget and doctrine, and work towards conducting joint operations with other countries, as it was beginning to do on a limited scale.

Money

On the economic front, Prof Lampton argued that there was a tendency, especially by the US, to over-emphasise China's role as a seller. China's global trade surplus in 2006 was US\$178 billion, equivalent to a very high 9 percent of its GNP and this was projected to reach 12 percent by the end of 2007. The average American was both alarmed by, and appreciative of, the proliferation of "Made in China" labels and did not fully appreciate the complexity of evolving regional and global supply chains, where "Made in China" might more aptly be understood to mean "Assembled in China". Prof Lampton noted that some 58 percent of all Chinese exports and 85 percent of China's high-tech exports were in fact produced by enterprises that were wholly or substantially owned by foreign investors. In addition, 70 percent of the value-add in Chinese exports was estimated to be from imports of intermediates and raw materials that Chinese workers assembled, with the specifics varying by product category. These figures, argued Prof Lampton, showed that the rest of the world

had an enormous stake in the success of Chinese exports, and the US would only hurt itself and its allies around the world if it indiscriminantly imposed economic sanctions against China.

Prof Lampton lamented that China's role as a buyer and investor, and its potential as a huge consumer market, was also being underestimated. Some 250 to 300 million people were considered middle class in China, depending on definition, and although their buying power might not be not as great as that of the American middle class, they were gradually reaching the levels of the middle class in middle-income Europe. China was a major destination for Asian exports, especially from Taiwan, Korea and Japan. Australia was also a major resource exporter to China. Prof Lampton pointed out that in view of China's role as an important market for many Asian countries, even countries like Australia, who was America's closest ally in the region, had no interest in being dragged into a possible US-China conflict over Taiwan. He stressed that the US had to increase its economic and diplomatic interests in the Asian region and understand that the world had changed.

In terms of investments, Prof Lampton highlighted that while China had been soaking up a lot of foreign direct investment, it was also starting to invest abroad. China had a huge currency reserve (about \$US1.3 trillion), of which at least US\$350 to US\$400 billion were in US debt instruments, and China was trying to get higher returns by investing these reserves abroad, as well as acquire technology and build brand names. China was also beginning to emulate Japan's approach of building production capacity in countries where its consumers were and where manufacturing jobs were being lost so that it could forestall protectionist measures. For instance, the Chinese were thinking of building an automobile plant (MG) in Oklahoma that would create 500 jobs. China's foreign economic policy in Africa and the developing world showed how China was using its economic power to great effect. Many developing nations appreciated China's investment and aid offers since these came with no conditions other than the recognition of the "one China" policy. On the other hand, China, like foreign investors before it, found that local citizens and interest groups in target countries often resented China's sometimes heavy-handed intrusion.

Minds

Prof Lampton pointed out that China had begun to recognise that intellectual and cultural attraction was the most effective means of exerting power and it was beginning to expend effort in building up its capabilities in this area. Its space plan, for instance, involved building its own global communications and broadcasting systems, with increasingly diverse programming. China was also heavily investing in the promotion of Chinese language education worldwide through the building of Confucian Institutes and other means. However, due to the difficulties of learning the Chinese language, there were limits to the extent to which China could project its soft power through this means alone.

China was striving to become a centre for innovation and intellectual power. It aimed to double the percentage of GNP spent on research and development by 2010 and its effort in this direction was starting to pay off. Prof Lampton substantiated this observation from the increasing shares of citations that the works of Chinese scholars saw in academic journals, albeit from a very low base. Some 12 percent of nanotechnology patents worldwide were also reported by Accenture to be held by China. In addition, higher education enrolments in China had nearly quadrupled since 1995 and the percentage of Chinese students getting PhDs abroad and returning to China was growing.

While China still had a considerable way to go in becoming an intellectual powerhouse and its political system was not generally attractive to others, China had managed to lift many of its people out of poverty. Prof Lampton pointed out that China's ability to achieve growth within a short span of time while maintaining political stability made it an attractive model for other countries, especially those in the Third World that had found the democracy-centred US model unattractive or inapplicable. Asked to compare the China model with the India one, which was also growing rapidly but, unlike China, was a democracy, Prof Lampton noted that China had some strong points. Over 90 percent of women in China received primary school education compared to just about 50 percent in India. China had also done better in terms of poverty alleviation.

Asked to assess which form of power China would find hardest to achieve, Prof Lampton agreed that China would face the most difficulty in building up normative power. He noted that although China was putting tremendous effort in building intellectual capital, it had encountered some problems, notably resistance to the spread of Chinese influence abroad. For example, in Vietnam there were fears that Chinese culture was intrinsically dominating and anxieties about the need to preserve Vietnamese culture. He also noted that open societies fostered more radical innovation (invention) and hence until there was a freer flow of information and ideas in China, the PRC would be at some disadvantage in this domain.

Challenges and Vulnerabilities

In sum, Prof Lampton cautioned against overreading China's power and warned of the massive problems that the Chinese leadership faced. He was doubtful that China could sustain 9 to 10 percent growth indefinitely. Its growth was energy-intensive and it had less critical resources, e.g. water and arable land, than other countries. More significantly, beneath China's impressive overall economic development, there was immense disparity. While some 10 percent of the population had attained the same standard of living as in modest-income European nations, there was also the bottom half of the population living in conditions similar to those in the Third World and experiencing diseases such as HIV, AIDS and hepatitis. Between now and 2020, about 300 million rural dwellers would have moved to the cities, putting huge pressure on infrastructure. China's growing regional and rural-urban inequalities posed a political challenge for its leaders. In addition, China faced an ageing population. The current ratio of 6.4 working adults to 1 elderly person in 2000 was projected to reach just 2 working adults to 1 elderly person in 2040. While the Chinese tended to have high savings, with an ageing population, much of the savings would be directed towards the consumption of expensive healthcare. To cope with these trends, China would require more comprehensive social safety nets in future.

Prof Lampton assessed that, given its enormous internal problems and vulnerabilities, China would be too preoccupied to engage in foreign adventures. Its domestic economic and social performance remained the basis of the Chinese leaders' power. Prof Lampton feared that the biggest potential danger to the world from China's rise lay not in the malign use of Chinese coercive power but in the unbridled drive for growth, which would have negative spillover effects globally, such as the increasing emissions of greenhouse gases. The lack of a regulatory apparatus to ensure the safety of its food and pharmaceutical exports was another such spillover concern. Prof Lampton concluded that the rest of the world needed to work with China to help contain these spillover effects.