

STRATEGIC ASIA 2010–11

ASIA'S RISING POWER *and America's Continued Purpose*

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Overview

Strategic Asia: Continuing Success with Continuing Risks

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EXECUTIVE SUMMARY

This chapter overviews the themes and conclusions of the volume, both highlighting how key international trends are affecting Asia and drawing implications for U.S. policy.

MAIN ARGUMENT:

Power in the international system continues to shift to Asia from the West, spurred by the superior growth of Asia's major economies. This growth is not uniform, however, and is causing a new struggle for strategic alignments among Asian states and with the U.S. While Asia's rise has brought new opportunities, it has also created challenges, including increased energy demand and environmental damage. Economic growth has allowed Asian states to invest more in modern military capabilities, which could threaten U.S. hegemony and regional stability. Economic growth has not democratized Asia's authoritarian states, raising concerns about the long-term prospects for continental peace and stability. By virtue of its economic, military, and political ties to the region, the U.S. will remain indispensable to the balance of power in Asia in the years to come.

POLICY IMPLICATIONS:

- Despite the steady emergence of new centers of power in Asia, the U.S. will remain the only country with truly "comprehensive national power," implying the continuance of American hegemony.
- The U.S. will continue to be the predominant military power in Asia and an integral part of the region's economic success as a source of technology and innovation, as a market for exports, and as an investment destination, while remaining the provider of choice for key public goods.
- To maintain its position in the long term, the U.S. must renew the domestic foundations of its power, strengthen its partnerships with Asian friends and allies, and deepen its military superiority through greater investment and innovation.

Strategic Asia: Continuing Success with Continuing Risks

Ashley J. Tellis

The National Bureau of Asian Research initiated the Strategic Asia Program ten years ago. Begun at a time when Asia was exhibiting clear signs of dominance in the global economy, the Strategic Asia Program sought to generate the intellectual capital necessary to assist U.S. policy to cope with the new realities of growing Asian power. Other annual surveys of Asia at the time focused primarily on examining the political developments occurring in the previous year. In contrast, Strategic Asia sought to analyze the “deep structure” of the transformations occurring in the eastern half of the Eurasian landmass—a region centered on China and the four major sub-regions surrounding it: Northeast, Southeast, South, and Central Asia. The scope of this analysis included each country’s external relations with both their immediate neighbors and key states lying further afield, especially the United States.

From the very beginning this research program accordingly fastened on the concept of “grand strategy,” that is, on understanding how the key Asian states were developing, managing, and utilizing the totality of their national resources to secure certain political aims—and how these aims were shaped by their history, geography, resources, culture, institutions, and threats and opportunities. Through this unvarying gaze, over the last decade the Strategic Asia Program produced a series of volumes that form an integrated assessment of Asia’s capability and performance, with each individual volume focusing on a specific dimension in great, comparative depth.

The first volume, *Strategic Asia 2001–02: Power and Purpose*, provided a systematic analysis of the grand strategies of key Asian states with a view to creating a baseline assessment of the balance of power in Asia. The second volume, *Strategic Asia 2002–03: Asian Aftershocks*, examined the consequences of the September 11 attacks on the United States for Asian geopolitics, including the problem of radical Islam and the implications of expanding U.S. military operations in Asia connected with the war on terrorism. The third volume, *Strategic Asia 2003–04: Fragility and Crisis*, examined the sources of fragility in Asia with particular reference to structural weaknesses in the changing balance of power, in the political and economic systems of key states, and in regional security and economic institutions. The fourth volume, *Strategic Asia 2004–05: Confronting Terrorism in the Pursuit of Power*, analyzed the U.S.-led war on terrorism in Asia in the context of the power-political changes taking place across the continent from Northeast Asia to the Middle East. The fifth volume, *Strategic Asia 2005–06: Military Modernization in an Era of Uncertainty*, re-examined a theme that was first explored in the inaugural volume, namely the military capabilities and modernization programs of various Asian states in the context of their grand strategies. The sixth volume, *Strategic Asia 2006–07: Trade, Interdependence, and Security*, assessed the growing economic and trade linkages throughout Asia with a view to understanding how various Asian states perceived their growing connectivity with the global economy as advancing their grand strategies and how this increasing economic integration might affect critical issues of war and peace. The seventh volume, *Strategic Asia 2007–08: Domestic Political Change and Grand Strategy*, examined the various transformations taking place in the domestic politics of pivotal Asian states and how these changes are affecting, or could affect, their respective grand strategies. The eighth volume, *Strategic Asia 2008–09: Challenges and Choices*, focused on analyzing the challenges in Asia and the range of policy choices facing the new U.S. president after almost a decade of distinctive, if controversial, policies pursued by the Bush administration. The ninth volume, *Strategic Asia 2009–10: Economic Meltdown and Geopolitical Stability*, analyzed the impact of the global economic crisis on key Asian states and explored the strategic implications for the United States.

This tenth volume, the decennial anniversary edition, takes stock of where the “Strategic Asia” region stands today, ten years after the first book in the series was published. Although, like its predecessors, this volume remains concerned with illuminating the changing continental balance of power as manifested by the performance of key regional actors (and to the degree relevant, the United States), it adopts a different approach. Whereas

all previous volumes were composed primarily of country and regional studies that tracked either overall national performance or achievements and limitations in certain specified areas, this volume examines how growing Asian performance is revealed in nine key functional areas that have a great impact on power and security:

1. Geopolitics, regional institutions, and political integration
2. Economic growth, trade, and integration
3. Military modernization and capability
4. Energy and resource security
5. Nuclear power and nuclear proliferation
6. Security and the global commons
7. Climate change and environmental impact
8. Population trends and national power
9. Domestic politics, ideology, and political change

Viewing the interests and the achievements of key Asian states through each of these lenses provides a rich and textured picture of what recent Asian economic growth has wrought in its complexity. This picture clarifies the causal drivers and their relative strengths in regard to the various outcomes produced, and thus illuminates the potential for change or surprises. It also explores the current and likely effects of these outcomes for internal stability, continued growth, and regional conflict and cooperation, as well as the impact of all these variables for the United States, its interests in Asia, and U.S. interests globally.

Taken together, the nine chapters in this year's volume paint a picture of continuing Asian success—but success that is accompanied by significant internal and external risks. Five basic propositions elaborate this perspective succinctly.

Economic Growth and the Global Distribution of Power

First, there is a continuing long-term shift in the global distribution of power from the West—understood as the United States and Europe—to the East—understood as encompassing Asia's twelve largest economies. This shift in global distribution, which began in the postwar period and has continued even after the ending of the Cold War, has proved to be no fluke. Although the rate of change has been affected by the vicissitudes of economics and politics both in Asia and globally, the fact and direction of change are

manifested clearly in the growing concentration of economic capabilities in the East. In the earliest iteration, Asia's growing economic strength was illustrated by the rise of Japan; subsequently, by the dramatic improvement in economic performance in South Korea, Taiwan, and the "tigers" of Southeast Asia led by Singapore; and in the most recent incarnation, by the huge expansion of the Chinese economy, now joined by a rapidly transforming India. The economic growth occurring in these two huge continental-sized states shows no signs of tapering and most observers have by now concluded that growth in China and India is what is most likely to drive the expansion of the global economy for some time to come.

The continued expansion of Asian economic power is not a flash in the pan—and in fact presages a return to the pre-Columbian era when Asia was in fact the center of the global economic system. This view appears to be confirmed by the felicity with which the continent has survived two major economic crises—first, the Asian financial crisis in the late 1990s and, more recently, the global financial crisis of the last few years. Although Asian states were affected differently by these cataclysms, the most significant fact remains that they weathered these crises remarkably, and having survived them, bounced back to become the engines of growth spearheading the recovery.

Peter Petri's chapter in this volume puts this dramatic story into global perspective. Noting that the rise of Asia is unprecedented in speed and scale, improbably led by blistering growth in China and India, countries with half of the world's people, including some of its poorest, Petri flags the dramatic geopolitical consequences of this change when he declares that "between 1990 and 2030, a stylized East, consisting of major Asian economies, and West, consisting of the United States and the European Union, will have roughly traded places in [...] measures of economic mass."

But the rise of Asia that Petri documents is unique in other ways as well. Asian growth is increasingly being driven by large economies with huge numbers of relatively poor populations—a growth process that simultaneously involves the large-scale absorption of subsistence labor into new domestic markets even as it produces a gut-wrenching transformation of the overall economy more generally. Petri observes then that Asian states will become dominant in the international political economy long before their societies become as rich as the West is today. For the foreseeable future, therefore, the international order will be characterized by the apparently anomalous phenomenon of large and impressively growing states behaving as if they were still disadvantaged entities. While these states will seek many of the status gains that they believe ought to be associated with their growing national power—such as new places at the

high tables of global politics, economics, and governance—they will also simultaneously seek to preserve the protections offered by various global regimes to the weakest and most vulnerable developing states. Managing the tensions between these two antinomous impulses will likely dominate all discussions with the West about the reordering of the global system for some time to come.

Even as the Asian economies continue to expand their national product to impressive levels, one of the many pieces of good news in Petri's story is that the United States is integral to these nations' continued success. This is usually assumed to be the case because of the protective benefits that U.S. security guarantees provide directly to allies such as Japan, South Korea, and Australia and indirectly to Singapore and the ASEAN states, not to mention the externalities of such arrangements enjoyed even by non-aligned states such as India. Without discounting these contributions, however, Petri's analysis underscores the importance of the United States as an economic actor in Asian success. Because intra-Asian economic integration still lags behind connectivity to the West for both political and economic reasons, the role of the United States as a major market, as the fountainhead of innovation, and as the provider of international reserves looms large. Asian economic success, therefore, continues to benefit the United States at multiple levels. Moreover, many Asian states—both the economically mature, such as Japan, Korea, Singapore and Australia, and the developing entities, such as India, Indonesia, and even China—seek continued U.S. economic involvement in Asia because of the political benefits and the economic opportunities afforded to these states.

Yet, for the United States to gain maximally from its economic involvement in Asia, changing the current patterns of interaction will be necessary. This change is essential because, as Petri declares succinctly, “global imbalances [today] are largely trans-Pacific.” Since “the United States retains the largest single stake in managing the global economy,” cooperation with Asia will become central to the challenge of rebalancing. To be sure, this requires important economic decisions on the part of key Asian exporters, but it entails equally critical policy changes in Washington. Some of the policy tools that can be implemented predominantly through U.S. action at home include changes in fiscal policy that sustain increased domestic savings, increasing investments in education at all levels and in R&D, and expanding U.S. trading opportunities through new free trade agreements with various Asian states (admittedly an interim solution until a consensus can be forged on enlarging the open trading system universally). These tools, though, would have the consequence of integrating the U.S.

economy more deeply with a growing Asia to the United States' own economic advantage.

The Alignment of Power in Asia

Second, the sustained economic growth that has characterized Asia's superior economic performance for many decades now is by its very nature not uniform but variegated, thus creating new geopolitical winners and losers within the continent and without—and, as a consequence, a struggle for new strategic alignments. Although Asian economic performance has been superior to most other regions of the world during the postwar era, it is worth remembering that “Asia” is fundamentally an artifact of geographical imagination; it is not an inherently unified political entity. Hence, the gains of growth—which have materialized thus far mainly in littoral Asia and neither uniformly nor proportionately even there—have not only failed to produce any significant Asian unity but, more problematically, have created fissures owing to the differential distribution of success in continental geopolitics.

Clearly the great success story of Asian growth, at least in this most recent iteration, is China, followed at some distance by India. China's economic success has been both rapid and, to the surprise of many, sustained—and, even more improbably, shows no signs of losing steam any time soon. China's explosive economic growth, which the *Economist* has described as “the most dynamic burst of wealth creation in human history,”¹ has occurred despite being embedded in an authoritarian political system and a still highly controlled political economy. Nonetheless, China's economic successes have been significant and robust enough to transform the country from its previous status as a marginal economic actor barely three decades ago into one of the largest global economies today. China is the third-largest trader internationally and the possessor of the world's largest foreign exchange reserves, which have made it an important source of investment capital not simply for many in the developing world but equally importantly for the most powerful global power, the United States. India's more recent economic achievements, though dramatic in comparison to its own post-independence history, nevertheless pale in comparison to China's post-1978 growth record. It is possible that India may sustain high rates of economic growth for longer than China over time, owing to India's favorable demography, open society, capacity for innovation, and superior public and private financial system. However, for the moment at least,

¹ “China's Growing Pains,” *Economist*, August 19, 2004.

China's achievements not only overshadow India's but have had the effect of disconcerting New Delhi politically as well.

Thus, even among the most conspicuous recent winners of the Asian growth sweepstakes, there are already signs of unease as the weaker performer, India, fears the prospect that China will—as it already has—reallocate increased resources to military instruments that could eventually be used to threaten New Delhi's security interests. India is not alone in this regard. All along the Asian littoral, from Russia in the far north, to Japan in the northeast, to Singapore in the southeast, to Australia in the far south, the question of China's strategic intentions has become the most important geopolitical uncertainty confronting Asia. Although China has always been a significant Asian power, its ambitions mattered little when it was economically otiose; now that the country is growing by leaps and bounds, its emerging capabilities are viewed widely throughout Asia with concern, if not distrust.

This is particularly true in those states that until recently were capable of balancing China independently—Russia and Japan—but that now appear to be sliding sideways, if not downward, each for different reasons. Russia's political system after the fall of Communism has produced a new authoritarian regime supported by new oligarchs whose prosperity appears to derive from rents expropriated from an increasingly weakening society. This strategy seems sustainable so long as global demand for Russia's natural resources continues. But even this source of income could dry up over the long term because of the continued failure of Russian elites to sustain the requisite investments in physical and industrial infrastructure, human capital (especially public health), and R&D (outside of a gradually weakening military-industrial complex). Japan's failures, which have become more prominent in recent years, flow from the inability of the country's paralyzed political system to stimulate an economy that, despite high levels of technological capacity, has remained moribund for the better part of two decades in the face of a rapidly graying population that offers few solutions to the necessities of labor force growth.

Faced with such limitations, Russia and Japan confront this newly confident and powerful China with conflicted strategies: both states seek to redeem their economic prospects by increasing trade with China wherever possible, but are also deeply concerned about contributing further to Beijing's growth in power, even as they wonder what deepened ties to China might mean for their own geopolitical autonomy. For Russia, the way out appears to be continuing to sell raw materials to China, while restraining the impetus to part with its best conventional military technologies (as occurred in the 1990s); depending even more strongly on nuclear weapons; and seeking,

to the degree possible, improved ties with India, Japan, Europe, and the United States as a hedge against continued dependence on China. For Japan, safeguarding national interests against China's rise has involved reaffirming the security alliance with the United States, even as Tokyo seeks adjustment in the terms of that relationship, while simultaneously maintaining strong conventional military forces, accelerating a new strategic partnership with India, and attempting to promote a still inchoate vision of an enlarged East Asian community. Whether these strategic modifications will yield lasting dividends for Russia and Japan still remains to be seen. Yet despite being among the more prominent losers in the evolving Asian transformation, these two countries do share with one of the current winners, India, certain commonalities in strategic response: namely, a desire to engage China to the degree possible while simultaneously seeking to build with one another and with the United States the political assurance that could serve as objective constraints on future misbehavior by China.

As Aaron Friedberg pointedly argues in his chapter, the choices exercised by the United States will be crucial in this context for geopolitical stability. Washington could surrender its prevailing primacy either deliberately or inadvertently in favor of duopolistic management with China (a “group of two,” or G-2), regional multipolarity dependent on the success of offshore balancing, or reliance on multilateral institutions bereft of supporting U.S. military power in Asia. To the extent that the United States settles for one of these three outcomes, the stage could well be set for key Asian security managers to make geopolitical decisions that redound to the disadvantage of the United States. As Friedberg concludes plainly, “if balancing [China] appears fruitless, and possibly dangerous, it should come as no surprise that many [Asian states] will opt for bandwagoning [with China] instead.” “Without active U.S. participation,” Friedberg observes, “the balance of power in Asia is unlikely to remain balanced.” And this conclusion holds because, among other reasons, purely multipolar systems often succumb to the pathology of “passed bucks,” where the rational logic of relying on others to contain rising powers, such as China, could produce failures of balancing that are just as serious as the inability to contain the damage that could be wrought by failing powers, such as Pakistan, given that both types of contingencies are likely to become manifest in the Asia of the future.

New Military Capabilities

Third, the sustained dynamism of the Asian economies in the face of continued uncertainties due to ongoing changes in the regional distribution of power has produced an abiding demand for new military capabilities—and

with such capabilities has come greater lethality, extended strategic reach, and potentially serious threats to the hegemonic stability provided by the United States in Asia. It is almost a truism among practitioners of international relations that any durable expansion of national economic power inevitably leads to increases in defense expenditures. The standard explanation for this phenomenon among realists is that as nations become wealthier, their valuation of their assets also increases and, by extension, the resulting investments made in protecting such assets. Given the impressive growth in Asian economic power in recent years—not simply in China and India, but even among smaller states such as Indonesia, Vietnam, and Thailand—it is not surprising that arms acquisitions throughout the region have displayed healthy growth despite being depressed occasionally by economic crises.

When scrutinized closely, however, the reasons for such sustained military modernization differ depending on the country and circumstances. Yet certain critical drivers can be readily identified. The rise of China, and the doubts that accompany it, shape both conventional and nuclear acquisition decisions in Russia and India and conventional modernization, at least in Japan and Australia. The presence of other local threats, as well as the widespread prevalence of interstate disputes in Asia, drives military modernization in the Korean Peninsula, the maritime and continental states of Southeast Asia, and India and Pakistan in South Asia. In addition, the otherwise general need to preserve internal security, protect sovereignty, and defend economically important places both on land and at sea provides sufficient motivation for improving national military capabilities, even if specific threats are not at issue in any given case.

The Strategic Asia region, therefore, does not lack for motivation where modernizing military instruments is concerned. As Richard Bitzinger argues in his chapter, however, what is distinctive about the expanding military capabilities in Asia is not simply the fact that such an expansion is occurring but rather that it is manifested through “hardware [acquisitions] that, on the surface at least, imbue [Asian] militaries with new capacities for warfighting when it comes to mobility, speed, precision strike, firepower, battlespace intelligence, communications, and command and control.” Beyond the fact that this demand for leading-edge technologies is sustained by the availability of resources, Bitzinger also calls attention to two other variables. The first is the seductive promise of the “revolution in military affairs,” as epitomized by the network-centric warfare proficiencies displayed during the recent U.S. military campaigns in Bosnia and Iraq—campaigns that China’s People’s Liberation Army (PLA), for example, has attempted to both emulate and counter. The second is the availability of advanced arms in the

international market due to the increased willingness of both traditionally major suppliers (such as the United States and Russia) and second-tier producers (such as Germany, the United Kingdom, France, and Israel) to make commercial sales. Owing to the proliferation of such capabilities, Bitzinger concludes that many Asian states now enjoy extended strategic reach at least in nominal terms. Although deficiencies in integration may reduce the effectiveness of the Asian militaries for a while longer, the long list of new military acquisitions suggests that future conflicts in and around the Asian continent will be more lethal in terms of their violence and more devastating in terms of their effects.

The problems posed by these military acquisitions for political stability within Asia are only compounded by the threats increasingly posed to the hegemonic stability provided by the United States. There is little doubt now that U.S. security guarantees to key Asian allies—underwritten by the promise of protective military power—were critical to engendering the “Asian miracle” in the postwar period. The ability of the United States to dominate the Asian littoral effectively mitigated local security competition and thereby sustained the conditions for the growth of economic interdependence, which has produced unprecedented prosperity. The hegemonic power of the United States was also the pivot that enabled the provision of various global public goods. In the economic realm, such public goods included the availability of the dollar as an international reserve currency and U.S.-backed international institutions that upheld the global trading regime; in the security realm, such goods included the protection of the global commons in the maritime, air, space, and, most recently, cyberspace domains. For most of the postwar period, the ability of the Asian powers to mount sustained challenges to the United States in these arenas was largely limited—the Soviet Union being the most conspicuous exception during the high tide of the Cold War—but as Abraham Denmark points out in his chapter, the Asian continent may once again be poised to witness a resurgence of this threat.

Partly as a result of local competitions, partly as a result of the ongoing revolutions in military technology, and partly as a result of the desire of some Asian nations to challenge the United States for various geopolitical reasons—all occurring against the backdrop of continued economic growth—Denmark notes that the “emergence of new Asian military powers” is creating an emerging class of “pivotal states,” which he defines as “states with a significant degree of influence over the security of a commons.” The emergence of such powers, which will “simultaneously drive two countervailing trends: cooperation and competition,” portends important dangers to traditional U.S. hegemony and, by implication, to

the customary benefits flowing from a secure global commons. Dealing with these challenges will remain among the most important strategic tasks for the United States specifically, as well as for Asia and the larger international community—since all three entities profit from the continued freedoms that make sustained economic growth possible. Mitigating these threats, Denmark argues, will require a twofold approach. The first is strong diplomatic leadership by the United States to forge an international consensus that codifies the preservation of freedoms in the global commons. The second is simultaneously investing in the necessary military capabilities to defang the emerging challenges so as to protect U.S. interests in those arenas that are critical to both continued U.S. global dominance and prosperity. The common ingredients underlying the success of both endeavors, however, remain American initiative and leadership, for without these resources neither strategic solution is assured of success. In this context, Secretary of State Hillary Clinton’s remarks at the ASEAN Regional Forum in Hanoi, Vietnam—stating firmly America’s national interest in maintaining freedom of navigation in the South China Sea and willingness to facilitate multilateral negotiations on territorial disputes in the area—are an important sign of U.S. willingness to maintain its leadership role in preserving the security of these commons.

The Demands and Repercussions of Success

Fourth, the continued demands associated with Asia’s economic success are producing consequential direct repercussions as well as externalities of global impact, and in the process are suggesting that the sustainability of Asia’s growth may be more challenging than is often imagined. The continued economic growth witnessed in Asia over the past several decades is not simply another evolutionary development in global economic history, a continuation of past trends with merely a change in pace. Rather, this growth is genuinely a discontinuity because it is unprecedented in scope and speed, encompasses numerous states and huge populations, and is being sustained at high rates in a fashion not witnessed before. Consequently, economic growth in Asia must be judged as an authentically systemic transformation whose culmination is not yet in sight. By all accounts, the growth of China and India at the core of the Asian system, followed by continuing expansion in the second-tier states of Southeast Asia and the steady, if slower, growth in the mature East Asian economies, will persist for a long time to come. This implies that the Strategic Asia region will continue to remain the locomotive for growth in the global economy writ large.

While this phenomenon is undoubtedly significant for geopolitical reasons, it is also intriguing for economic reasons alone. After all, there is simply no precedent for a country as large as China growing so fast for such a long period of time. And if India continues its slower, but still high, rates of economic growth for another two decades, that too would make the record of Asian economic growth all the more incredible. This unique phenomenon of high sustained growth can be partly explained by the fact that such growth begins from a relatively low base and, hence, is owed to the increasing returns to scale that are often witnessed in the early phases of economic expansion. To that degree, high sustained growth rates, at least for a while, may not be surprising. But something else may be afoot in a country such as China—and with serious consequences. As Prem Shankar Jha argues in his masterly comparison of Chinese and Indian political economy, *Crouching Dragon, Hidden Tiger*, China's explosive growth may owe as much to its political economy as to the laws of economics. Arguing that “the struggle for control over investable resources between the central and local levels of government” accounts for China's runaway expansion, Jha asserts that the “continued state monopoly of the banking system” is what has made China's economic expansion “fatally easy.”² He argues that this is so because the state banking monopoly has permitted local authorities to sustain an enormous—and still continuing—expansion in investment through their control of bank credit provided by local banks, their ability to allocate land for new industrial ventures by fiat, and their control over local taxation and local markets.

Given this anatomy of success, Jha demonstrates that China's economic expansion has been sustained primarily because it remains a sterling example of “extensive” growth, that is, growth based on rapidly expanding the quantity of inputs committed in order to increase a given level of output. In the absence of a genuine internal market capable of effectively aligning prices with relative scarcity, China's reliance on extensive growth has had many consequential effects. First, it has produced an insatiable drive for raw materials and other natural resources because continually increasing levels of inputs are required to maintain the desired growth in output (that is, economic growth) if the social compact that keeps the Chinese Communist Party (CCP) in power is to be sustained indefinitely. Second, China's reliance on growth has led to dreadful levels of economic inefficiency, waste, pollution, and environmental abuse deriving from the rampant overexploitation of both national and international natural resources. Third, it has put a premium on increasing the size of the labor

² Prem Shankar Jha, *Crouching Dragon, Hidden Tiger: Can China and India Dominate the West?* (New York: Soft Skull Press, 2010), 64, 65.

force as one of the key elements necessary to sustain extensive growth over the long-term—at precisely the time when China’s social policies are at cross purposes with this objective and in circumstances where Beijing does not appear to be doing too well in fostering technological change, thus putting at increasing risk over the long term its undeniable achievements in regard to capital accumulation.

Each of these three consequences is illustrated in this volume in different ways. Mikkal Herberg’s chapter on energy and resource security challenges in Asia demonstrates that China’s and, more broadly, Asia’s economic growth is likely to make enormous demands on imported energy. Increased demand obviously remains at one level a direct function of the expansion in economic activities at home. But to the degree that this expansion is driven by the pathologies of political economy of the kind found in China or in the failures to create efficient domestic markets for energy, as is the case in India and in other developing countries, the growing demand for energy and rare earth minerals is necessarily higher than it ought to be ordinarily. Both kinds of weakness combine to increase the demand for natural resources beyond what is actually necessary, given current levels of technology. The upshot of such rising demand is steadily increasing prices globally. Whereas the developed world and the fast-growing developing countries can cope with the consequences of energy price increases either through technology substitution or simply through absorption, the poorer states in the global economy end up bearing significantly onerous burdens.

As Herberg emphasizes, however, the implications of increased energy demands from a rapidly growing Asia go beyond mere economic discomfort into the contested arenas of power politics. This is because many emerging Asian economies, most notably China’s, are quite distrustful of market mechanisms as a matter of both ideology and practice. Given Jha’s analysis, the latter may in fact be more important: the CCP’s continued political survival depends on assured inputs in order to sustain continuous growth domestically. According to Herberg, this political need has resulted in China pursuing “an increasingly nationalistic and competitive approach to energy security” according to which its national oil companies with strong state support have sought to secure control of oil and gas supplies through “[technical] investments, financial largesse, and various trade and aid emoluments in key energy-exporting regions.” This strategy has not only propelled Chinese investments in far-flung areas but also in countries run by some fairly odious regimes, such as Iran, Sudan, and Burma. Worse still, this strategy has provoked emulation by others, most notably India, though to a lesser degree. It has also opened the door to a mercantilist competition over energy and raw

materials in Asia, where if the flag were to follow trade and investment, the stage could truly be set for malignant rivalries in the future.

The perils of depending on natural resources from abroad, especially energy resources, has provoked a renewed interest in nuclear energy in Asia. Charles Ferguson's chapter in this volume details how the demands of economic growth in Asia have produced an "astonishing upsurge" in nuclear power investments led by China, India, and South Korea. More interestingly, many smaller Asian states, including some that have experienced high growth levels recently (such as Indonesia, Bangladesh, Malaysia, the Philippines, Thailand, and Vietnam), have expressed a new interest in acquiring nuclear power plants. Because the availability of electricity is a fundamental requirement for sustaining economic growth, it is not surprising that many Asian states are now examining nuclear energy as a source for producing electricity, especially at a time when there are growing price and access pressures on fossil fuels and increased concerns about greenhouse gas emissions. Nuclear energy production, however, embodies a variety of risks; the possibility of catastrophic accidents, the management of waste, and the dangers of engendering further nuclear proliferation all combine to make expanding access to nuclear energy a delicate proposition where commercial and national interests intersect in complex ways.

Ferguson's conclusions are eminently realistic. Accepting that the expansion of nuclear power in Asia is inevitable and that this expansion will both have direct impact on possessors of nuclear technology and produce externalities for others, Ferguson argues that the United States ought to focus attention on maximizing the positive gains while minimizing the global risks. In a succinct summary, he notes that the United States can achieve these objectives clearly by "ensuring the highest international standards of nuclear safety and security, maintaining access to all components of the fuel cycle, upholding adequate controls on enrichment and reprocessing components of this cycle, shoring up security alliances, and working to bring pariah states into the international system." To do so, however, will require that Washington be just as attentive to sustaining U.S. nuclear capabilities at both a military and a civilian level as it is to preserving the extant global nuclear regime.

Richard Matthew's chapter in this volume details the real and potential impact of climate change in Asia. His conclusions are indeed sobering. He notes that "the overall picture is quite alarming for Asia, as climate change models predict significant climate effects throughout the region." Matthew concludes not merely that much of Asia will be physically and socially vulnerable to the ravages of climate change—as manifested through health challenges, increasing population displacements, diminishing

state capacity, growing development challenges, sharper resource scarcity, and biodiversity loss—but also that these casualties are in many ways the consequence of human choices. Again, the example of China is illustrative: the use, or more accurately misuse, of energy remains a crucial driver of environmental degradation and climate change, and China's political economy fosters wasteful investment that exacerbates rather than attenuates China's climate change burdens.

As Wang Qingyi has pointed out in his study of energy intensive industry in China using 2004 data, China operates 28,000 coal mines with an average annual output of 70,000 tons. This contrasts with Germany, which runs 9 mines with an average annual output of 5.56 million tons. China operates 56 refineries with an annual processing capacity of 4.19 million tons in contrast to South Korea's 6 refineries with an annual processing capacity of 21.47 million tons. Likewise, China operates 263 blast furnaces with an average annual steel production of 750,000 tons in contrast to the 29 in Japan that produce 2.83 million tons of steel annually. Finally, China operates 5,027 cement factories with an average annual output of 190,000 tons in contrast to Japan, which has 65 factories producing an average annual output of 1.14 million tons.³

While Chinese economic inefficiency may be egregious compared to Asia's other states, the problems of the misuse of energy and other natural resources are widespread and remain ultimately the products of institutional failures that either directly or indirectly contribute to resource depletion, environmental degradation, and climate change. In many countries, such as India, for example, these problems are exacerbated by state and regulatory weaknesses that further undermine the ability of the market to price various human decisions effectively, thus contributing to the creation of those societal hazards that exacerbate climate change. Matthew concludes correctly that in such circumstances “the potential for violent conflict ranging from riots to war is real, although there are also considerable opportunities for cooperation.”

If the deleterious effects of climate change caused by state and societal decisions cast a shadow on the ability of the Asian states to sustain their remarkable growth over the long term, Nicholas Eberstadt's comprehensive overview of demographic trends in Asia provides further reason for concern. All models of growth in modern economic theory acknowledge that the supply of labor directly or indirectly remains one of the building blocks of economic growth. The size, rate of growth, and the quality of population, then, become fundamentally important

³ Wang Qingyi, “Energy Conservation as Security,” *China Security*, no. 3 (Summer 2006): 89–105, <http://www.wsichina.org/curr05.html>.

components in determining whether a country's growth can be sustained over the long term. In an extensive growth model, the steady availability of growing quantities of manpower becomes even more crucial because it can compensate for sluggish technological change while simultaneously contributing to capital accumulation.

Unfortunately for China, which appears critically dependent on extensive growth, Eberstadt's findings do not represent good news: given current fertility patterns, China appears poised to confront a severe "replacement deficit" involving a steep and continuing shrinkage in China's working-age population over the foreseeable future. Eberstadt notes that the size of the critical 15–24 year old cohort is fundamental from the perspective of economic growth, because it represents individuals with the best health, the highest levels of educational attainment, and the most up-to-date technical and scientific skills. Eberstadt concludes that this group has been shrinking in relative terms for a generation—and it stands to shrink still further, in both relative and absolute terms, in the decades just ahead. For those who assume that China's economic rise is inevitable or that its strategy of extensive growth can be sustained indefinitely, Eberstadt's prognostication puts a damper on all such expectations and raises an even more disconcerting question: can the Asian expansion, which relies deeply on integration with the Chinese economy, be sustained if the motor of that growth were to seriously slow down in the decades ahead?

It does not appear as if any of the other Asian great powers can seamlessly step in to replace China either. India's fertility rate is slowing as well, and although the country possesses a favorable demographic profile, the Indian economy is not as well integrated into the Asian trading system as China's is today—and may never be, as a deliberate matter of national strategy. Japan and Russia, confronted by serious problems of aging and depopulation, respectively, do not promise to be effective substitutes for China either. Where labor force growth is concerned, therefore, the Asian miracle is handicapped by vulnerabilities. Even a country such as India, which is better positioned in regard to population size and profile, still faces significant problems because of past failures to invest in human capital.

On balance, therefore, Asia's economic success, though likely to be sustained in the policy-relevant future, faces serious challenges in the years ahead. Even today, however, economic growth has come at a price: though essential for defeating poverty and raising the standards of living of the millions who live in the most populous areas of the continent, the processes of growth have not always been as efficient or equitable as they could be. This implies that the direct and social costs of growth have been higher than is desirable even as such growth has produced externalities of

different kinds that affect indigenous populations, states lying further away, and the international system as a whole. For these reasons, sustaining Asia's economic success over the long term will remain a challenging endeavor.

Governance and the Prospects for Peace and Stability

Fifth, and finally, the economic transformations across Asia are occurring faster than the march of democratization throughout the continent, raising questions not only about the responsiveness of governments to their populations in the face of painful social change but also about the prospects for continental peace and stability. The issue of the spread and viability of democracy in Asia is not simply a matter of ideological preference, a manifestation of “superstructure” in the Marxian sense, but rather is organically connected to the deepest issues of internal stability and external peace. At a time when rapid economic growth has forced gut-wrenching transformations in domestic politics throughout Asia, the presence or absence of rule-bound and responsive governments could make a major difference to managing the challenges of social change. The desirability of democratic regimes in this context does not hinge on a preference for any particular type of democracy; rather, any political system that is constrained by a set of rules grounded in a fundamental respect for persons and that allocates power on the basis of respect for popular will ought to suffice for both normative and practical reasons.

The stark differences between China and India are illustrative in this regard. Both China and India have been exemplars of rapid Asian growth. Although China has been far more successful economically than India has been, the future of China's success appears to be more contingent because of the fundamental tension inherent in a social system that combines command politics with a partially free economy. The ability of such a system to absorb the stresses that are generated by inequity and losses in the marketplace is suspect, as the evidence of unrest throughout China increasingly demonstrates. Although social order in the short term can—and will—be maintained by force, the brittleness of the authoritarian regime remains an ever-present concern, in different ways, for the Chinese leadership and for outsiders. For the politburo, the chief danger is the decisive loss of control stemming from popular dissatisfaction that results in widespread violence, chaos, and, ultimately, forcible regime change. For the international community, China's authoritarian dispensation poses the danger of “diversionary” conflict abroad in the face of frayed legitimacy at home. In fact, it would not be an exaggeration to say that although China's size and growing economic and military power would give pause to all

of the country's neighbors simply as a matter of course, these fears have certainly been reinforced throughout Asia and globally because Beijing's growing national power is wielded by a non-democratic regime.

India's democracy, in contrast, breeds fewer suspicions. Almost every Asian power, including the United States, welcomes India's rise—with the exception of Pakistan and China, which are special cases both because of their authoritarian internal structures and because of their long-standing rivalries with New Delhi—and seeks to integrate India ever more tightly into the evolving Asian strategic system as a counterbalance to China. This preference for a partnership with India, whether on the part of the United States, Russia, Japan, or the smaller powers of Southeast Asia, is undoubtedly shaped by perceptions of growing Indian power in the first instance, but it is certainly reinforced by the judgment that Indian democracy makes the country's national trajectory both stable and predictable. India's democracy provides irreplaceable benefits for its own polity as well. As the country has moved further along the trajectory of market society, liberal democracy has become the fundamental defense of the weak against the potential abuse of power by the strong—whether those be political or economic elites—and will increasingly become the instrument by which losers in the marketplace can protect their interests from being decisively effaced.

The comparison between India and China thus illustrates the basic point that the spread of democracy is desirable not merely as an ideological preference but because it is a vital instrument for preserving social stability in countries undergoing rapid economic transformation even as it simultaneously offers the hope of engendering more peaceful interstate relations. Sumit Ganguly and Manjeet Pardesi's chapter on democratization in Asia offers, however, only qualified optimism that the continent will enjoy these benefits in the years ahead. Although noting that democracy is well entrenched in two key states, Japan and India, they argue persuasively that "the global wave of democracy has seemingly stalled in most other states in Asia." More dangerously, China's success appears to have given a fillip to the "authoritarian state-market economy model," which despite its inherent contradictions could become a serious competitor to free market democracy in Asia. Although such a model has not yet demonstrated that it can satisfactorily manage the problems of inequity that arise in market societies—because, among other things, authoritarian state actions often tend to exacerbate inequality rather than mitigate it—China's recent successes will likely embolden some current power holders in Asia to attempt to emulate the Chinese model in order to maximize their own gains vis-à-vis their larger societies. That such regimes also offer poor hope for enlarging the democratic peace turns out to be an equally consequential

problem, given the number of interstate disputes over territory and resources that are present in Asia.

As Ganguly and Pardesi attest, authoritarian capitalism remains only one of two challengers to democracy in Asia; the other is increasingly political Islam, which although requiring a specific milieu for expansion, most importantly a preexisting history of Muslim presence nationally, is nonetheless advantaged today by the interaction of technology and politics. The availability of new mass communications technologies has permitted transnational mobilization around certain specific Muslim grievances, transforming them into universal complaints that are embedded into a larger protest against Westernization, secularism, modernity, and, in its most empirical manifestation, the United States. The presence of a few wealthy states, most notably Saudi Arabia, that have subsidized the propagation of specific forms of political Islam, and the realities of state decay in other parts of Asia, most notably Pakistan, have produced a religiously radicalized population that is willing to challenge democratic societies worldwide through the use of violent force. Dealing with this threat, Ganguly and Pardesi conclude, will require the United States to develop “a global strategy that is sensitive to local conditions,” where the selective targeting of al Qaeda cannot come at the cost of “ignoring other radical Islamist organizations in different parts of the world.”

Where does all this leave the United States? One of the key objectives of the Strategic Asia Program from the very beginning has been not simply to understand Asian transformations but to analyze their impact on U.S. interests and particularly on the future of U.S. power. The volumes in the *Strategic Asia* series over the past decade, when read synoptically, permit a reasonably optimistic answer to this fundamental question: as the chapters in this decennial volume subtly corroborate, the Asian economic transformation that began in the early years of the postwar period will continue successfully well into the first quarter of this new century, but because of the many challenges affecting the nations implicated in this process, the rise of Asia will not translate into the demise of U.S. hegemony in Asia or globally for a long time to come. Despite the steady emergence of new centers of power in Asia during the period, the United States will still remain the only country in the world with truly comprehensive national power, which even by the most minimalist definition implies the continuance of U.S. hegemony.

This persistence of hegemony owes to the fact that even as Asia rises, the United States will continue to remain a vital component of Asia’s economic success—a source of technology and innovation, a large and expanding market, and an unparalleled destination for investment by others. The

United States will also remain the provider of choice for the most important public goods necessary for the success of the region and the predominant military power in Asia despite the emergence of new challengers. These realities, however, cannot be an invitation for the United States to rest on its laurels. Rather, the country must focus resolutely on the three tasks that are essential for bolstering its hegemony if that is to survive over the secular future: renewing the domestic foundations of U.S. power, strengthening partnerships with key Asian friends and allies, and deepening military superiority through greater investments in technological and organizational innovation. Above all else, the United States should not—as it works through these demands—cede its geopolitical primacy to others as a matter of either diplomatic niceties or national policy, because it emphatically does not need to. Instead, Washington's attention ought to be focused on exercising effective international leadership even as it concentrates on renewing the foundations that will make that leadership last as long as possible.