



Easternization: Asia's Rise and America's Decline from Obama to Trump and Beyond

April 12, 2017



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Gideon Rachman

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JOANNE MYERS: Good morning. I'm Joanne Myers, and on behalf of the Carnegie Council I would like to thank you all for beginning your day with us.

Our speaker, Gideon Rachman, is the chief foreign affairs commentator for the [Financial Times](#). He will be discussing his recently published book, entitled [Easternization: Asia's Rise and America's Decline from Obama to Trump and Beyond](#). I am delighted to welcome him to this Public Affairs program.

The world is changing. World order is being tested by an Arab world in turmoil, a Russia longing to reclaim its status as a great power, a rising China, and a belligerent North Korea. These challenges, combined with [Brexit](#), the election of populists and creeping authoritarianism in places like Hungary and Turkey, all seem to point to a West losing its ability to set the global agenda. To complicate matters, the erosion of technological, military, and economic capabilities indicate the centuries of Western dominance in world affairs is now coming to a close.

While the central part of the story may point to the end of America's supremacy and an intensifying economic and political struggle between America and China, this is only the starting point of the discussion. In *Easternization* our speaker tells us that, after a series of false alarms, the Asian century is finally at hand. He demonstrates how this shift in the global center of gravity from the West to the East is the defining trend of our age and is increasingly being felt in global politics.

At this point you may be wondering, how did this happen? What other factors have contributed to this sea change and what circumstances hastened the decline of the West's ability to lead? In writing *Easternization*, Mr. Rachman answers these questions and others. His stated objective is to help readers understand how the world is changing and report on it. He does not advocate nor condemn.

While no one can deny the anxiety of a more assertive and provocative China, as well as a foreign policy agenda dominated by Russia and the Middle East, in hosting the [2016 recipient of the Orwell Prize](#), which is Britain's leading award for political reporting, and the [European Press Prize for commentator of the year](#), known as the European Pulitzer, I believe we've found the perfect guide to explain the Easternization of the world.

Please join me in giving a warm welcome to our guest today, Gideon Rachman. Thank you for joining us.

GIDEON RACHMAN: Thank you very much, Joanne, and to the Council for inviting me, and to all of you for getting up early for a fairly heavyweight topic.

It's a fascinating week to be discussing this kind of stuff in the United States, obviously because [Xi Jinping](#) has just been here for the first [summit](#) with [Trump](#), but also because there's this sense that maybe there's a turning point in American foreign policy with Trump, at least temporarily, ditching the isolationism, embracing liberal interventionism, and so on.

And I think it points to the volatility of foreign affairs and of the West's politics, which started, perhaps, in my own country with [Brexit](#) in June, and then with the [election of Trump](#). It's such a roller coaster day-to-day that it's hard to make sense of the bigger trends, but that is, in a sense, what I'm trying to do in the book.

I guess the central proposition of the book is that the thing that is going to define world order politically, as well as economically, is the incredible surge in economic growth in Asia, which began many years ago, probably in Japan in the 1950s, and spread to South Korea and Southeast Asia in the 1960s and 1970s. But I think the sort of world-changing moment is when [China begins to open up](#) and follows, in a way, the pattern that had already been forged in Southeast Asia of foreign direct investment-driven manufacturing revolution, because of, of course, just the sheer size of China. Then the Chinese opening happens in 1978, and then in 1991 India also turns away from its traditional inward-looking economic policy and [takes the same route](#). So you suddenly have the two Asian giants, both countries of over a billion people, growing at really remarkable rates.

My own personal introduction to this topic is I was a correspondent for *The Economist*, and I have mainly focused, both as a student and as a journalist, on Europe and the States, and then I got dispatched to Southeast Asia in 1992. It was almost a sort of physical shock seeing incredible, rapid development at that time when I was living in Thailand. It was also very interesting because a lot of the local businessmen, the Thais, were Thai-Chinese, and they were beginning to lead this wave of investment into China. You could see that what had happened in Southeast Asia

was beginning to happen in China itself.

I've always been a political writer, although working primarily for economic publications, for The Economist and the Financial Times, so I've always been interested in the connection between business and what was then going to happen in politics. It seemed to me inevitable that at some point this surge in economic growth would change international politics.

I think we've now reached that point, and that the [Obama years](#) probably will begin to be seen in retrospect as the point where—not, I think, through the fault of the [president](#), actually, but because of bigger trends—the West's grip on world affairs begins to loosen. And indeed, Obama attempts to respond to this by becoming the first American president to say, "Actually, the focus of American foreign policy should be Asia," the famous "pivot to Asia," which is harder to do in reality than to state. But he gets it; that there's something slightly peculiar about an American foreign policy that's completely focused, as it had been in the previous decade, on the Middle East, which is not the most dynamic part of the world, and which has been ignoring this extraordinary economic revolution in Asia. From the American side, in the last 10 years you've had a realization that, at least in theory, this is where we should be focusing our effort.

I think from the Chinese side you also see a turning point in recent years, where the famous phrase that was abbreviated into English as "hide and bide" was [Deng Xiaoping's](#) maxim for how to handle the rise of China. What Deng did was to say essentially—as they put it in Victorian England—"don't frighten the horses"; don't upset people, don't claim leadership on behalf of China. This is in the 1980s, 1990s, and even the beginning of the 2000s, because he's well aware that the utter priority for China is to take advantage of the system and to just get economic growth rolling there's absolutely no point in having a geopolitical conflict with the United States, and so on.

That, then, begins to change probably a little bit before Xi Jinping becomes president, but most dramatically when Xi comes in, which is [November 2012](#). That's a very interesting period, I think. Again, I'm trying to think, How will people write about this in 20 years' time? Because in the last bit of that year, Xi Jinping comes to power in China; [Shinzō Abe](#), who is a nationalist revivalist, [comes to power in Japan](#); Obama is [reelected](#) for his second term; and then in the background the National Intelligence Council of the United States produces these five-year reports and [one](#) comes out—which is a public document, but not paid much attention to—where they [say](#), rather remarkably for an American establishment organization, that "the era of Pax Americana is coming to a close, the era of Western domination is coming to a close."

Although that was dismissed as excessively pessimistic, actually if you look at what happens in the next couple of years, it was quite prescient because over the two years after that you get [Russia's annexation of Crimea](#), you get the island-building that China starts in the [South China Sea](#), and you get the [disintegration of the Middle East](#) and the apparent—or evident—inability of either the United States or the Europeans to intervene and restore order, which in a way also tells you something about the declining grip of the West in world affairs.

If you look at the Middle East, after the [collapse of the Ottoman Empire](#) at the end of the [First World War](#), essentially the British and the French move in and [divide the area up](#) and control it for a while, and then after the [Second World War](#) the United States becomes the dominant power, albeit in the context of the [Cold War](#) in competition with Russia—by about 2000 all the key alliances in that region are with the United States. All the key players look to Washington; whether it's Turkey or Saudi Arabia or Israel or Egypt, they've all got a special relationship with Washington. Then, with the [Arab Spring](#), and so on, things begin to unravel. It's quite a demonstration of the loss of control.

One of the interesting things that I've discovered in writing this book—it's a slightly odd job in which I'm not expert on any one place, but I kind of dot around talking to people all over the world—the one advantage of that is that you get a sense of how people in different capitals are interpreting global events. We were all talking this week about

the [Syrian red line](#) and [Trump revisiting it](#), and so on. I was actually in Washington the week that Obama did not enforce the red line and, as we remember, it was a complicated series of events involving Congress more than him, although he subsequently took ownership of it.

I wouldn't have said at the time that this was going to be a world-defining event. It was a bit of an embarrassment. But it was very interesting how, in the following couple of years, you would find people all over the world talking about it: that it had made an impression in Moscow, in Beijing, in the Middle East, that this was somehow—even if the decision had been taken on perfectly rational grounds—a demonstration of lack of resolve by the United States and a sense that things were on the slide.

I slightly regret it because it's a demonstration of how childish the logic of international affairs is. You have to go in there and whack somebody just to show that you're still boss. But that failure to do that resonated in ways that I would not have anticipated, and it will be very interesting to see how Trump's action and how it is followed up now resonates; does it reverse that impression?

I think overall it may have a temporary effect. But if I'm right, the historic shift in power, the underlying economic forces are not going to go away, so it's worth recapping what those are, because, as I said, in the 1990s I was aware of it. But again, by the Obama years you can begin to see it showing up in the statistics. In 2014 the International Monetary Fund (IMF) came out with a study of the size of the world's economies. They announced that measured by purchasing power—there are two ways of doing it—China is now the world's largest economy, and that three of the four largest economies in the world are in Asia: It goes China, the United States, then Japan, then India.

This news is, oddly enough, not greeted with great acclaim in either Beijing or in Washington. In Washington, for obvious reasons, nobody makes much of a fuss, and in Beijing because there's still an element of "hide and bide," of not wanting to frighten people.

There are other ways in which you can see in the statistics that China is now the world's largest manufacturer: it's the world's largest exporter, and it's also, significantly, an extremely large consumer market; it's the largest market for vehicles, the largest market for smartphones, and for oil. This gives China economic leverage, which they're now using with increasing enthusiasm.

Although China is at the center of the story, and is the biggest economy in Asia—and, indeed, according to the IMF, the world—you can see more broadly a shift in economic power: India growing at 8 to 9 percent. One measure of their growing economic clout is they're the biggest arms importer in the world, although they go backwards and forwards with the Saudis. There's a huge arms race going on in Asia, incidentally.

The South China Sea becomes this object of geopolitical competition: Why does America care? For the reason that it's always been, since the Second World War, the dominant power in the Pacific. Maybe that's all you have to say. But it's also commercially a very important waterway. When [Hillary Clinton](#) announces "the pivot to Asia" in an article called "[America's Pacific Century](#)," she says, "Fifty percent of the world's merchandise traffic goes through this sea." So that would explain why control of it actually matters. You can see how the economic shift then translates into geopolitical rivalry and to geopolitical strength. Backtracking a bit, I said that you saw a change in the United States with this focus on Asia.

But Xi Jinping also seems to represent a new style of Chinese leadership. His predecessor, [Hu Jintao](#), had been almost comically colorless and nobody could really remember anything about him. It was quite a departure for China. This was almost the opposite of the [Maoist](#) cult of personality; it was a collective leadership that steps down peacefully, all of that. Various people say, "Well, maybe China's cracked the leadership problem. They've found some way of having peaceful transitions of leadership without democratic elections."

But then with Xi, you have a much more charismatic figure. He's a physically burly guy, commands a room, and his whole slogan is "[the great rejuvenation of the Chinese people](#)." I was part of a group that got to see him try out this slogan a few months after he'd been put in place in the Great Hall of the People. It's all very stately, and there is a great sense of history behind it. We were a group of foreigners brought in. The first thing he does is remind you that China has thousands of years of history behind it, which is in marked and interesting contrast with the United States, this upstart which has only been around a couple of hundred years, which is one Chinese dynasty-worth.

I think that does affect the way that he thinks, and that maybe the general Chinese polity sees the world as this cyclical, very long-term view. They have this sense that they had a "[century of humiliation](#)," which starts, unfortunately, with the British and the [Opium Wars of 1839 to 1842](#), and then follows and gets worse and worse: [the Japanese invasions](#), colonialism in their various cities, and so on. They date the end of the century of humiliation to the Communist Party [winning in 1949](#). Whether that ends the humiliation, it doesn't end the isolation and the poverty; that really only ends with Deng coming to power in the 1980s. But there is a sense now that China is in a position to reclaim its rightful place as at least the center of the Asian order of power.

That has direct and alarming implications for Japan, which is absolutely at the center of the current Chinese demonology of what went wrong to them. And because the Japanese have never, in the eyes of the Chinese, fully apologized or abased themselves for [what they did in the Second World War](#), or even acknowledged it properly, that only adds to the sense of anger in China—which is deliberately stoked by the government—toward Japan, which of course has implications for the United States because the United States has a [security treaty with Japan](#) and there is a [territorial dispute between China and Japan](#). So that's a very tense relationship.

It is something that has been a constant question mark, particularly during the Obama years: How close does America get to Japan? Do they fully back them up, for example, on these islands; or might you be in danger of being trapped by a Japan that itself is in a fairly nationalistic mood, at least in the current government, and that draws you into a conflict with China?

I think that the Obama administration went back and forth on this, and in the end decided to go all in with Japan. There was a moment where Obama goes to Tokyo and is asked, "Does the U.S.-Japan security treaty cover these uninhabited little islands where the Chinese and Japanese Air Forces confront each other from time to time?" And he [said](#), "Yes, it does." That was the first time an American president had ever explicitly said that, and it was quite deliberate. As somebody in the White House said to me, "You know, we just gave the middle finger to the Chinese."

For all the alleged weakness of Obama in Asia, actually in some things he was pretty tough and laid down some red lines that they hope will not be challenged. That may work in the short term, but there is a growing sense that China is now in a position to assert itself and make a genuine attempt to be the dominant power in the region.

The Japan thing is tense for the reasons I described, the historical baggage, but there are other areas which have now shot up the agenda: Taiwan, because of the [famous phone call](#) between Trump and the [Taiwanese president](#); now North Korea, where Trump seems to be demanding that China deliver North Korea—I'm not sure they are either able or willing to do that.

And then, the South China Sea, where, again, possibly the inexperience of the Trump team—[Tillerson](#), when he gave his confirmation hearings, made this rather dramatic statement where he [said](#), "We're going to deny the Chinese access to these artificial islands that they're building in the South China Sea to reinforce their claim to this enormous stretch of water." And it is a bizarre claim. If you look at a map, the Chinese "[nine-dash line](#)," essentially claims the whole of this ocean, and it leads them, again, into territorial maritime disputes with loads of their neighbors. It's fair enough not to accept that. What Tillerson appeared to suggest was that the American Navy would blockade these artificial islands. He then backed off on that.

I think that, just bringing us right up to date on Trump and China so far, the rhetoric of Trump was tremendously confrontational. I wrote a preface for the book in January, just after the election, and at that point you seemed to be heading for confrontation on trade, on Taiwan, on the South China Sea. It looked pretty alarming.

I think the Chinese have played it very well because they've essentially forced him already to back down on Taiwan, where Xi Jinping just refused to speak to him until he endorsed the [One China policy](#), at which point, after about a month, he said, "All right" and endorsed the One China policy. So that was put to one side.

As I say, the Tillerson comments—perhaps I should mention this. I was at the World Economic Forum in Davos, which was in January, just after he had said that, and the Asians were incredibly alarmed. The [Singaporean foreign minister](#)—I interviewed him on stage—said, "You know well if this is right there's going to be a war between the United States and China. There's no way you can do that." And again, although Tillerson didn't explicitly renounce those comments, they've backed off those.

Now it looks like on trade that the punitive tariffs and so on are going into a joint consultative committee, which is very Obama-like. I was amused, because if you look back at the stuff that Trump was saying in the election, he said, "I'm not going to have banquets for the Chinese leaders. I'm going to take them to McDonald's, and then we're going to go back to the negotiating table." If you actually look at the menu at Mar-a-Lago, it was Dover sole seared in Champagne. That's slightly better than a Big Mac.

I think the Chinese have reason to be pleased. I'm afraid it will also strengthen their sense that America is a bit of a paper tiger that threatens all this stuff but then backs off.

However—big qualification—we don't know what's going on about North Korea. This flotilla is heading toward North Korea. Maybe Trump, who seems to see all these issues as sort of a continuum and a trade-off—which again is very unorthodox because normally the Americans have kept the economic relationship and the security commitments on separate tracks and said, "Well of course whatever is happening in trade with Japan and China doesn't affect the security guarantee." Whereas Trump tweeted only yesterday, "Oh, well, you know, if they help us in North Korea we'll give them a better deal on trade." It's all handing from one hand to the other, which must baffle the Chinese. As I said, you could very easily have a really severe crisis over North Korea spilling over into U.S.-Chinese relations.

One thing I discovered writing that preface is the bit that if you're writing about Trump, the thing that you think is going to be most up to date is actually the most out of date because he changes so very rapidly.

I've focused for obvious reasons on the U.S.-Chinese relationship, both because it is the core of the book but also because it's in the news. I would just like to give you a sense of some of the other themes in the book. A lot of people write about the U.S.-Chinese relationship, so what I tried to do was to broaden out the way I look at it in two distinct ways. One is to put it in this broader historical context about the West's role in the world.

Clip of the Month: The Shift in Power to the East with Gideon Rac...



Although it sounds perhaps a little grandiose to say "500 years of Western dominance are coming to a close," I actually think that is a defensible proposition, because you could say that it begins at the end of the 1400s with [Columbus](#), [Vasco da Gama](#), and the [beginning of the age of Western Imperialism](#). Even when the European empires essentially collapsed after the Second World War, it continues with the United States as the primary power and eventually triumphing in the [Cold War](#). Even Russia is actually a European power. The rest of the world is still having to adapt to the political and economic power of the West. Their worlds are shaped by us.

I think with the shift in economic power we're beginning to enter a period in which we're going to begin to be shaped by them, to put it very brutally; that developments in Asia which might have been local conflicts or things that regional specialists would pay attention to, will begin to shape the whole world, which is why something like North Korea suddenly is way up there. It is why a dispute in the South China Sea or rivalry between China and Japan could reshape our world quite dramatically. Also, even short of arguments about war and peace, let's hope that the nuclear peace holds and that nuclear powers don't go to war and that's all fine.

The economic weight and economic power of China and of the other rising Asian powers is more and more evident. So that you could almost interpret Brexit as possibly wrong-headed, but still an adaptation to this new world, because a lot of the rhetoric in the United Kingdom was, "Look, Europe is no longer the center; the global economy, the rising powers of China and India, that's where the future is, and that's what Britain should be doing." And indeed, you can see the Brits have not been very successful trading with Asia despite the rhetoric. Germany's largest trading partner is now China, not the United States. That is true even of, say, a country like Brazil.

You occasionally have the "light-bulb" moments. A few years ago I was in Brazil, just before the [ill-fated Dilma Rousseff](#) became president, and her then-foreign secretary said to me, "Look, we're no longer looking primarily to Washington. China is where it's at for us. It's our largest market. They're a big producer of commodities." And I wondered about that rhetoric. But indeed, her first foreign trip was to Beijing, not to Washington.

In Africa, as well as the Americas, Africa particularly, actually, the surge of Chinese investment, now followed increasingly by the Indians and the Japanese, has literally changed the landscape. But it has also changed the range of geopolitical choices. That, again, is a sign of how the world is changing. If you think back to the history of Africa, first it's shaped by European colonialism, then in the Cold War, among other things, it's a battleground in the Cold War. You have wars in [Angola](#) and [Mozambique](#), which are proxy wars between the United States and the Soviet Union. But now, if there is a struggle for influence, it's really between the rising Asian powers and the slightly declining Western powers which are beginning to scratch their heads about what's happened here. We no longer have the clout and the power that we were used to. That is the broad historic trend.

The second half of the book actually is not about Asia at all; it's about how countries around the world are reinterpreting their futures in the light of all these changes. I mentioned Britain and Brexit, and there is a lot of discussion in Europe, particularly now with Trump, about is the Atlantic alliance still our future.

Just to give you three examples of the kind of things I discuss: Turkey, I think, is a very interesting case of a country that, after the fall of the Ottoman Empire, the rise of the Turkish Republic looked for a century just West; there was only one direction because that seemed to represent modernity and success. Now, with [Erdoğan](#), that is really being buried, although formally they're still trying to join the European Union. They're rediscovering Turkey's Islamic roots, becoming a more Islamic society, looking also to the hinterlands of the old Ottoman Empire, and increasingly, at least in the form of Erdoğan, openly contemptuous of the West and clashing with it.

Russia was very interesting after the bust-up with the West after Crimea. If you went, as I did, to Moscow and talked to some of the intellectuals in the [Putin](#) circle, the extent to which they were now saying, "Well, we made a historic error after the Cold War in deciding that we should converge with Europe. They never wanted us. We're not really European anyway. We're kind of half-Asian." This rediscovery of the idea of Russia as at least a semi-Asian country –suddenly they're talking about the Mongol heritage in Russia and the fact that two-thirds of the country lies territorially in Asia, and saying, "Well, and anyway, who wants it?"

I mentioned that IMF figure, one that, as I said, people in Washington and Beijing didn't make much of it, but they sure noticed in Moscow. There was this chap called [Nikonov](#), who is actually a Duma member, also the grandson of [Molotov](#), who was exultant after this study, and said, "This changes the world, and the West's dominance is over." So they, too, were on that riff for all sorts of reasons to do with their own difficult situation they found themselves in, but saying "The West is over; Asia is the future."

Even Israel, actually, was very interesting, because in a way you cannot think of a country that is more dependent on the American dominance of the world to protect itself. But visiting [Netanyahu](#), I think it was in 2013, it was evident, it was hardly a secret, the very difficult relationship he had with Obama. They had just seen the Chinese, and one of his aides said to me, "We had a great meeting with [Li Keqiang](#), the Chinese prime minister, eight hours." And then he said, "You know how long they spent on the Palestinians?" He said, "Twenty seconds. They're just not interested. They're totally pragmatic. They're interested in doing business with us. We've just signed this contract to redo the water system of a Chinese city whose population is bigger than the whole of Israel."

There was a technology relationship building up both with the Chinese and with the Indians, and a sense that that is where a lot of future opportunities for Israel lay, and that maybe actually these countries were not going to give Israel a hard time on human rights because it's not generally the Chinese modus operandi. So they, too, were beginning to adapt to the sense that the world is changing.

I could go on and on, but I won't because I've used up my allotted time. Just a final word, there's a danger with books like this that they become very deterministic and you say, "Okay, we can see this ineluctable economic force, and this is the way the world's going, and so on. And of course you have guard against that. Having covered international policies for quite a while, all the things that really define the world are the unexpected ones, the things that nobody was expecting; the [fall of the Berlin Wall](#), [9/11](#). And you could have some sudden crisis in China or India that makes us think, Wow, we got that wrong!

My sense is actually there will be a crisis in China; political, economic, or some combination of the two. At that point a lot of people at meetings like this and around the world will say, "Ah, told you so. This was just the next Soviet Union-Japan scare. We roll on and on and on, and Western dominance forever."

I think that would probably be wrong; that the development of China and India is historic, is not going to be derailed by crises which undoubtedly will build. And indeed, if you think of the rise of the United States, in the

middle of the 19th century I seem to remember you had a [civil war](#). It didn't stop America becoming the dominant power of the 20th century. So expect turbulence in Asia, but don't expect the Asian story to be over.

Thank you very much.

Questions

QUESTION: I'm Helena Finn. I'm a former U.S. diplomat at the American Council on Germany.

My question has to do the trade agreements, the [Trans-Pacific Partnership](#) (TPP) and the [Transatlantic Trade and Investment Partnership](#) (TTIP). Would these agreements not have created—especially the TTIP, but both of them—such enormous economic blocs that there would have been a balance in the world? We don't seem to have that. And if you agree that this would have been a good thing—I don't know what your position is, I haven't read your book yet—but if you agree that this would be a good thing, do you think there's any hope of this administration changing its course on that issue?

GIDEON RACHMAN: You're right. I'm sure most people here do know about the TPP, but just to briefly recap, it was this big trade deal that had actually begun in the [Bush years](#); that proceeds through the Obama years, Obama has finally pulled it off; and Trump and indeed Hillary Clinton turned against it during the campaign; and then Trump [ditches it](#) on day one of his presidency. I think [Bannon](#) said that was one of the most consequential acts in American history, because it has become a symbol of the globalism that he decries.

I think that, first, there's no doubt that the impulse behind it was as much strategic as economic, and that Abe, when he came and spoke before Congress said, "This is about the future of the free world. It's about strategy as much as about economics."

I think it was a good thing and a good idea for both economic and strategic reasons. I think it might have been slightly oversold. I don't know how much these agreements are capable of reshaping the global economic flows.

The significant thing about the TPP in geopolitical terms is that China was not a member, so you would have a bloc including Japan and the United States, Singapore, and I don't think South Korea, Mexico—it's a slightly odd group of countries, but Japan and the United States were at the core of it. The hope was that this would be so powerful that it would put America back at the center of the Asian economy.

I think that by the time it came in, if it had come in, you were already in a situation in which China was already the largest market for South Korea, Japan, India, Australia, and all those other statistics that I listed earlier. Whether the TPP would have been a powerful enough thing to change that, I somehow doubt, because of the centrality of China to production that works and all the other advantages they have. But it would certainly have pushed the needle back in a certain direction. It might have had a beneficial effect on what are going to be the next key issues; things like intellectual property, and so on, where it set much higher standards, and that the Chinese would probably have been compelled to go along with, so it's a definite loss. It also sends a very negative signal of American disengagement.

I think, ironically, of course, if it had never been invented and it had been put on Trump's desk on day one as a proposal, he would have said, "This is terrific. It's the most tremendous trade deal ever. I'm endorsing it. Look at this fantastic thing I've come up with." I suppose he's pretty good at gauging people with short memories and so on, so he might be able to reinvent it, call it something else, and dust it off the shelf, and I think the Japanese are certainly hoping that. They may be right. They've played him pretty well so far.

QUESTION: Susan Gitelson.

Gideon Rachman: The Rise of China & Southeast Asia



Since you're talking about the East, would you also consider Southeast Asia, the enormous changes in Vietnam and Thailand and Indonesia, what effects this will have in the larger picture?

GIDEON RACHMAN: I should say that, although—and I apologize—the talk was very China-focused, there are chapters on Southeast Asia, Japan, India, etc., because I do think that it's a big mistake to see this as a bilateral struggle between the United States and China. Who "wins" will depend basically on how the other powers respond economically and politically.

Southeast Asia is a really interesting swing area, if you like. First, it's an illustration of the optimistic side of Easternization, because if you think, the 1960s and right into the mid-1970s it was an area of horrific war; the [Vietnam War](#), [Cambodia](#), etc. Then when they managed to restore peace it's been a synonym for booming, successful economics, and even some quite hopeful political transitions in Indonesia; the [end](#) of the [Suharto](#) dictatorship relatively peacefully and the transition to democracy.

This is a part of the world that's done well by the current dispensation. I think there is now a sort of palpable nervousness that as China's sort of "middle kingdom" ambitions become more evident, how do they respond? They're right in the center of having to scratch their heads about, "Well, where do we place our bets? What are our economic interests, what are our strategic interests? Do we still look to the United States, or can we rely on that?"

I think that most of these countries—not all of them—would prefer a strong American presence in the region because it protects them from being ordered around by the Chinese, but they are doubtful that they can necessarily bank on that.

The ones that are sticking up for it are increasingly being put under pressure by the Chinese. It has been very interesting to see what's happened to Singapore, which is a hugely successful place obviously, one knows, and a very rare example of a country that I think genuinely has a special relationship with the United States and China. They have played that extremely well. They were initial hailers and sponsors of the rise of China, trained a lot of Chinese officials. [Lee Kuan Yew](#) was a big cheerleader for China. But they retained the security relationship with the United States, the Navy docks there, and American companies use Singapore as a base.

For a long time that was a successful strategy, but it's slightly coming under strain now because when the Singaporeans endorsed—there was a [court case](#) which knocked back China's claims in the South China Sea, and when the Singaporeans said that was a good thing, their ambassador was called in in Beijing. Suddenly they found

that some weaponry that they were transporting through Hong Kong for military exercises got seized and impounded, and the Chinese were really putting the heat on them. It's surprising because they've been such good friends of China, but it's part of a pattern.

I think that, again, you can't be too definitive about this because countries go backward and forward depending on their own internal politics, where they position themselves. Two or three years ago you would have said South Korea—which is not Southeast Asia—was tilting toward China very clearly. Then things changed. [Park Geun-hye gets into trouble](#), and the South Koreans now have a pretty bad relationship with China.

None of these shifts are definitive, but at the moment there's definitely a series of Southeast Asian countries that seem to be moving more in Beijing's direction—Cambodia, Malaysia, Thailand—partly because their own internal politics have become less democratic, therefore they come under pressure from the United States, and therefore they look to Beijing for protection; but also, because of the weight of these economic ties I've described, the hope of Chinese investment and threat of Chinese retaliation, that also weighs.

The most significant is the Philippines, which is important for a couple of reasons: First, because it's the major disputer of China's claims in the South China Sea; second, because it's always had a [close military relationship with the United States](#), albeit post-[Marcos](#) that changes a bit.

The Philippines has done this incredible tilt where [Duterte](#), the new president, suddenly went on an anti-American rampage, went to Beijing, said, "I'm announcing a separation from the United States. China is the new power in the region. We're all going to have to adapt to that."

Now again, a word of caution, he's obviously slightly crazy, so it's not clear that this will persist. Also, the Chinese have not rewarded them by dialing back the pressure on the Philippines in the territorial disputes, so they're concerned about that. For the moment it was quite a striking example, I think, of how things are tilting China's way in that region.

QUESTION: Don Simmons.

About a generation ago the relatively slow performance of the Indian economy vis-à-vis China was accounted for with a few stories that became well-known. One was the thought that the Indian government resisted free-market entrance. There was the [anecdote](#) about how Coca-Cola couldn't be sold there without revealing that formula. That's one.

Ethnic and religious clashes within India seem to be more severe, particularly Hindu versus Muslim, than those clashes in China, which seem to have been suppressed.

Third, the Indian diaspora of successful businessmen abroad contributed much less reinvestment capital than did the Chinese diaspora to their country. Are those factors changed? Is that part of why India has caught up?

GIDEON RACHMAN: I think, first—it's been probably a year since I've been to India—but the last time I was there, there was a palpable sense of optimism among the Delhi middle class or political class that India was on the move, that they were growing now faster than China, albeit from a much lower base, and that this is their time.

I think some of that has changed. You mentioned these famous anecdotes about Indian maltreatment of foreign companies. I recall with some shame actually writing that story about their dreadful treatment of this marvelous company [Enron](#), and how could they treat these great guys like this. So sometimes they've been right.

There's so much to do in terms of economic reform in India, but [Modi](#) has made a start on some things. I think that the diaspora element that you mentioned is very powerful both economically and politically because there has been

a surge of Indian immigration over the last 20 years into the United States, many of them highly successful in business and so on. That creates a network tying the United States to India.

There was this moment when Modi came to New York and [gave a speech](#) to a packed audience of Indians at Madison Square Garden. He was suddenly aware that he can literally fill Madison Square Garden with expatriate Indians. So this is quite a community.

That, I think, is both economically and strategically significant. Obama makes a big play for India, as indeed did the Japanese, because everyone can see that if you're trying to balance the rise of China as a long run, India is key. It's the other country of over a billion people, and it is growing significantly economically.

The Indians themselves, particularly under Modi, are changing their attitude to the world. For understandable reasons, in the post-imperial phase they were not crazy to align themselves with the West, and in the Cold War they were non-aligned but they were tilting more toward Russia than to the United States.

I think that has changed, partly for these cultural-economic reasons I mentioned, but also because they are increasingly alarmed by China. They have an [unresolved territorial dispute](#) with them. There's a [war](#) that was fought in 1962. The Indians have a slight paranoia about what they regard as the "string of pearls," these naval support bases that have been built in the seas around them in Sri Lanka or Burma, and so on.

Again, there's a debate in Delhi about how close should they get to the United States, how much should they take China as a threat or an opportunity. I think overall, as I said, if Southeast Asia is tilting a bit toward China, India has been tilting a bit toward the West and toward the United States.

QUESTION: Rita Hauser.

Gideon, I'd like to get back to politics. You said something might happen in China that will shake things up. One of Xi's personal strategies—he's going to get himself [reelected](#), we understand—is he's using the old [Lenin](#) approach of getting rid of your enemies, real and punitive, with his [anti-corruption campaign](#). Do you anticipate that he will seek a third term and really consolidate a different kind of politics in China?

GIDEON RACHMAN: It's very hard to tell, for obvious reasons. It reminds me of, I think [Churchill](#) said that, "Trying to understand the Kremlin was like watching two dogs fight underneath a carpet." You can see there's a lot of movement and action, but what's actually happening? Who knows?

It's a bit like that with China; you can see people are being arrested, and people interpret articles in newspapers, and saying "Oh my god. This is happening. He's up, he's down." We can't be sure because of the nature of the society. Just from first principles, if you start arresting lots of senior businesspeople, members of the Party, presumably that's a risk.

On occasional trips to Beijing—they're great on political gossip. The people say, "Oh, he doesn't sleep in one place," and, "There's the threat of a coup." There was a sense of turmoil for a while. I think the sense that there might actually even be a threat to Xi's continuance in power I hear less of; that he probably is established, that the idea of a military movement against him, that's off the table.

What's the strategy? I think that if he does go for a third term, that's a huge blow to those who hope that China would eventually liberalize, and so on, because you're moving then back to a personalized form of rule. It's analogous to Putin, actually, to essentially say, "You know what? I'm actually not going to leave power," and perhaps for some of those same reasons, that there's a personal identification between the person and the state, and "I'm the only person that can do this."

But also there may be money interests at stake. For all Xi's anti-corruption things, he had this go at The New York Times when they began to [look at the finances of the Xi family](#). One doesn't know, but it can be dangerous for these people to step down.

Unfortunately, he has now set the precedent that you can go after your predecessors. Hu Jintao has not been arrested, but some of the key people around him have. It then becomes dangerous to leave power because of that precedent.

Beyond that one can say that I think it's not a great period for Chinese liberals—or, indeed, for theorists—those of us who believed that inevitably the Communist Party couldn't maintain one-party rule in a society as rich and sophisticated as modern China. It seemed plausible to argue that.

But they've done a better job than one could have anticipated. If you had said in 1989, after [Tiananmen Square](#) and after what had just happened in Europe, "Oh, by the way, the Communist Party, not only has it reasserted control, China is going to grow at an average of 10 percent a year for the next 30 years and they will still be in charge," everybody would have said, "No, no, no, that can't happen." But in fact it has.

Relating to the previous question, I think another reason why they're going to be highly reluctant to loosen control—and again, not just the European model, but this was also the model in Southeast Asia and South Korea—you have seen authoritarian regimes give way to democracies. The hope was that maybe that would happen in China, but I think it's just much more problematic in China, partly because of the threat the country would break up if they actually allowed freedom of expression. You would have independence movements in [Tibet](#) and [Xinjiang](#), and given the Chinese obsession with maintaining the unity of the country I don't think they would allow that.

QUESTION: Ron Berenbeim.

A follow-up of sorts on that question. Can you comment, give us some idea of China's prospects for internal stability with a number of factors that clearly challenge that? One is that the prosperity and the nice economic stats are primarily coastal China. The second being that they have actually openly confessed in their policy to demographic failure by eliminating the [one-child policy](#). Third, they have a water problem. I think that's one reason why there's so much tension with Tibet, or so I've been told.

GIDEON RACHMAN: All those things you point to are very real. If you're writing about the rise of China and so on, you have to somehow keep in balance the sense that this is for real and that it's not going to stop, with an acknowledgement of those issues that you mentioned.

On the water one, somebody once said to me that the real threat to the Chinese government will not be when the student movement starts, but when people turn on the taps in Beijing and no water comes out because the water table is dropping. They have serious environmental problems. Incidentally, I think that I mentioned the Israeli incursion into the water industry in China. This is a rich society and a technologically inventive one, so if there are technical fixes to this they'll find them.

The demography is actually the one question I haven't really satisfied myself in my own mind. There's a question mark over the rise of China. If you look at what's happened to Japan, the aging and then the shrinking of the population, which you could see in retrospect even at the height of euphoria about Japan, there were people saying, "Hang on, this doesn't look good," because of the demography. That turned up to be right. It's been a very powerful force slowing Japan. The demography of China is turning, and it's one of the reasons for Indian optimism about them eventually taking over from China, is their demographics are much more favorable.

I don't know how that will play out. All I would say is that I think that by the time Japan began to age and so on, it

was already an entirely middle-class society, with per capita GDP equivalent to Western levels.

I think there are still sources of growth in China to do with urbanization. I mentioned that meeting with Xi Jinping. Aside from telling us about the great rejuvenation of the Chinese people, one of his big lines about why we still think that we've got a lot to do, but also the growth is going to continue, is that we've only just now reached 50 percent of the population urbanized. Eventually we'll get to 80 percent. As people move to the cities, they will join the consumer economy and they'll become richer. I think they see that as a driver of growth, and I think that's probably right.

You're right to flag up the demographics.

QUESTION: Ellen Berenson.

You didn't mention Australia at all, and I thought that Australia is a strong economic playing partner. China has vast investments in Australia.

Gideon Rachman: How is Australia Adapting to China's Rise?



GIDEON RACHMAN: I'm glad you asked about Australia because it's a sort of minor obsession of mine. I think it's really interesting because it's almost the definition of a country that up until now you'd think had no geopolitical problems really. They've got this entire continent to themselves, I think there are only 23 million of them, beautiful weather, it's all fine.

But they are in a very interesting and difficult geopolitical situation because they're an outpost of the West at the bottom of the East. They have relied for centuries, as long as they've been around, on the fact that oceans are controlled by friendly Western powers, the British and then the United States. Now their major market is China. Also, the Chinese appear to be moving toward trying to put themselves in the position to control those oceans above them.

What do they do about that? Economically they have, as you would, played the Chinese relationship for all it's worth because I think Australia is the only advanced country in the last 30 years that has not had a recession at all. They have really done well, and it's propelled by China. But that gives the Chinese leverage over them to some extent, so they keep having these difficult decisions about investment or about geopolitics.

In investment terms there was a thing, I think last year, when a [Chinese company tried to take over an Australian company](#) which happened to own 1 percent of the Australian land mass. There was a big row in Australia about "Do we really want this Chinese company owning such a large chunk of the country?" Eventually it was overruled, but

that was a difficult one.

On the other hand, they had another debate over "Should we allow [a Chinese company to buy the Port of Darwin](#), take a 100-year lease on it?" They let that one through, which the Americans are not very pleased about because that's where the Americans train the Marines as part of the pivot. That kind of thing is coming up again and again.

Li Keqiang, the Chinese prime minister, [was just in Australia](#), and I thought made a fairly amazing statement, where he said, "In the Cold War, Australia was on America's side, but we don't want to see you taking sides in disputes between us and the United States," which is again, kind of striking.

And that's reflected. I think Australians have almost, in Australian academia, the most advanced and interesting debate about how do you adapt to the rise of China. There are people—in fact, the former head of the Australian Intelligence Service, a guy called [Hugh White](#), has written a book, called [The China Choice](#), which, more bluntly than any other Western analyst, says, "Look, this is the world we're in. We're just going to have to grow on China's sphere of influence. They will be the dominant power in Asia. Accept it, otherwise we're going to be at war." He has sort of defined that pole of the debate.

I think, for all the reasons I've described, the Australians are sort of at the forefront of these developments, they effect them quicker, they're that much further ahead in trying to figure out how do you adapt to this.

QUESTION: Michael Marsh.

Your analysis is brilliant. But what intrigues me is, when do these growing, soon-to-be-powerful Asian nations realize that they are facing a hegemonic monster that can cut them down economically? And if they become nationalistic more than the seas—I don't know how much more nationalist you could be—that they will be a vital national security danger to them. And when, do you think, if ever, they will unite to form a third force to stop the growth of China? Even though it might hurt them economically, it would hurt the Chinese also. So I think there are three factors here.

GIDEON RACHMAN: I think they're realizing it at different rates. I think the answer to the question of when will they unite is probably never, because the Chinese are very good at playing divide and rule.

The attitudes vary. The Japanese, for the historical reasons I explained, are probably going to be the last to reconcile themselves to a China-dominated region because it's a direct threat to them. That said, there is a school of thought in Japan that is inching that way, and outside the [Democratic Party](#) when it was in power run by [Yukio Hatoyama](#) really did briefly go for rapprochement with China and sent big delegations to Beijing, and so on. Hatoyama was actually a big critic of the United States, but that is not the dominant strain in Japanese politics now, and I think that it probably won't be.

Japan is an outlier, in a sense, in its fear of China. The others go backwards and forwards. Of course they can see the possibility, and, indeed, increasing the reality of what you hold out. But we all live day-to-day. They think, Well, you know, it could be really bad, but for the moment life goes on and we have a bit of room to maneuver. We don't know, as we were saying, what's going to happen in China or what's going to happen in the United States, so let's just do business with the Chinese and try to hedge our bets, and so on.

I think it would take a really dramatic geopolitical event, a war or seizure of territory or something to make people form a block in that way. The Association of Southeast Asian Nations (ASEAN) is probably the closest to that, but they're very internally divided.

Vietnam is another country which is very scared of China. The Vietnamese are at one end, and then you have the Cambodians who are more scared of the Vietnamese than they are of the Chinese, and the Thais who have ties to

China.

Indonesia is incredibly interesting because I think the rise of China is beginning to reawaken tensions between the Indonesian and Chinese community and the larger Muslim majority.

The effects of this are unpredictable. I think it's possible that you would get a sort of anti-China alliance, but I just don't see it myself at the moment.

JOANNE MYERS: Thank you very much for your insight, and for planting the seeds for a wonderful conversation. Thank you.

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