China Has Risen and It is Time We Got Used to It

In a three-part article, India's former National Security Adviser looks at the reality of China's rise and what it means for the world and India

Shivshankar Menon

I often come across articles on China that use the word 'dragon' in its title – when rational people are no longer supposed to believe in the existence of dragons. As if the word's association with fire, emotion and drama were not enough, speaking about the dragon's rise also suggests the rest of the world, and we in India, should be fearful.

The consequences of China's dramatic rise – thanks to three decades of 10%-plus GDP growth – are known to everyone. This includes the accumulation of hard power in all its forms, the emergence of China as the world's manufacturing workshop, its trillion dollar foreign exchange surpluses, its ability to determine commodity prices in world markets, its presence in most global value and production chains, and so on. In a little over 30 years, China has made herself the largest economy in the world in PPP terms, the world's largest trading nation, and the engine of global economic growth. The world watches in awe at the speed and scale of this transformation.

The West sees China's rise as a challenge to its hegemony, just as it saw Japan's rise in the first half of the 20th century. For the Chinese, however, this is merely the restoration of the natural order of things – in which China is the world's largest economy and the centre of the world, as she was for all the centuries before the industrial revolution in the 19th century.

What arouses Western disquiet is the fact that while reprising her historical role, China has shattered two misconceptions that drove US and Western efforts – since Nixon's 1972 visit – to facilitate its rise and integrate her into the Western world order. The two misconceptions were the idea that as China modernised, she would increasingly become like the Western powers, and that single party rule by the Communist Party of China (CPC) would inevitably give way to demands for western style democracy from a new Chinese middle class produced by economic development. As a result, China was expected to be integrated into the Western economic and political order just as Japan was after World War Two – to the point where the Japanese were treated as "honorary whites" in Apartheid South Africa.

Here, one must admire in passing the skill of Chinese diplomacy in the period after 1989. It was relatively easy for China to convince the West and the US of China's utility when the Soviet Union existed as their adversary. With the collapse of the Soviet Union, the Chinese leadership fully expected – as the sole remaining large Communist country – the West to seek to change the nature of the regime in China. Instead, China got the US and the West to facilitate its rise in the decades after 1989.

Today, both Western hopes have been belied by developments in China. China's polity and society remain stubbornly Chinese – as any scholar of Chinese history could have predicted. If anything, the CPC's grip on power is stronger than it has ever been. And China has made it clear that while she, like India, is a major beneficiary of the US-led era of open markets and free trade and investment flows in the two decades before 2008, she is also determined to have an independent say in the economic, political and security order around her and in the world. Her goal is the China Dream, defined as the "Two 100s" –

China becoming a “moderately well off society” by 2021, the 100th anniversary of the CPC; and becoming a fully developed nation by 2049, the 100th anniversary of the People’s Republic of China.

The attempt to shape the environment in her periphery, and to use her economic strength to build connectivity and institutions consolidating the Eurasian landmass and tying her neighbours to herself became more evident after the 2008 global economic crisis, which China probably saw as a moment of opportunity since the US and the West were preoccupied with reviving their own economies and were entangled in Iraq, Afghanistan, and, later, in North Africa and Eastern Europe.

Ten years ago, all except one of China’s neighbours traded more with the US than China. Today, China is the largest trading partner of all her neighbours, including US allies like the Philippines and Japan. Faced with Western sanctions, Russia looks to China to buy the energy and commodity exports on which her economy depends for survival. Even the US, China’s main strategic competitor, is economically tied to China in deep and fundamental ways that were never true of her previous great rival, the Soviet Union.

China has now taken the next steps. The One-Belt-One-Road proposal, the creation of the Asian Infrastructure Investment Bank, the BRICS New Development Bank, the negotiation of the Regional Comprehensive Economic Partnership, (as opposed to the US-sponsored Trans-Pacific Partnership with 12 Asia-Pacific nations), promoting the use of the RMB as an international currency, and other initiatives are all aimed at building a new economic order in the Asia-Pacific. This will have a global impact. Increasingly, the Asia-Pacific is the centre of gravity of the global economy and politics, the major source of global economic growth and activity, and the locus of political contention between the old Western order and the new one that is forming.

Internally, China’s rapid economic growth gave the CPC legitimacy – originally provided by its Maoist revolutionary ideology, since abandoned – and the means to maintain its social and political control. The only real challenge it has faced since reform began was in 1989 when the leadership was itself divided and reform had not yet delivered prosperity. That crisis culminated in the Tiananmen Square killings. But the success of Deng’s strategy of accelerated reform has made a repetition of such events unlikely, even when, like 1989, there are clear divisions within the leadership as Bo Xilai and Zhou Yongkang’s fall demonstrate.

In many ways, the CPC today is a victim of its own success. With an $11.21 trillion economy[1], and per capita income over $8,000 (nominal)/13,992 (PPP), China cannot sustain high growth rates for ever. She also needs to readjust her economy from a reliance on exports and government-led investment, to internal demand and consumption-led growth. In 2014, exports were a negative contributor to GDP. Estimates of whether she would be able to make this adjustment without a major internal economic crisis or collapse vary widely. My own sense is that a command economy like China, where the government has fiscal and other tools not available in market economies, should find it possible to transition relatively smoothly to a lower growth path of about 3-5% GDP growth each year, even though this will not be easy and will cause social pain. But even 5% growth in China’s economy now means that she is adding India’s GDP every couple of years or so.

[1]Nominal GDP, April 2015; 18.976 PPP April 2015; IMF says China is second largest economy by nominal GDP and largest by PPP though China National Bureau of Statistics rejects this claim. — India: US$ 2.582 (nominal) or 8.427 (PPP) in April 2015, IMF

As economic growth slows, however, the CPC is turning increasingly to nationalism to provide legitimacy in the eyes of its own people. Hence some of the recent shrillness in Chinese responses to external events.

This, then, is the reality of China's rise that the world needs to contend with: An economy that will continue to far outpace the rest of the world, and a polity that will increasingly be marked, for domestic reasons, by nationalistic impulses.

What China's Rise means for the World

In the second of a three-part article, India's former National Security Adviser looks at the implications of a China that will be increasingly assertive in the Asia-Pacific

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In 1990, Deng Xiaoping had urged a 24-character strategy on China: "observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership". In 2009 President Hu Jintao amended the last eight characters to "uphold (*jianchi*) keeping a low profile and actively (*jiji*) achieve something (*taoguang yanghui, yousuo zuowei*)". Since then China has dropped these modest and humble references and speaks of playing her role and assuming her responsibilities. It is clear that since 2008, Deng's humility (whether mock Confucian or not) is no longer the declared guiding principle for China's external behaviour. Instead, China now seeks to "display her prowess" and "assume her responsibilities". We now have Chinese scholars like Yan Xuetong speaking of the need for China to start building a series of alliances in her neighbourhood to countervail the US alliance system and challenge its credibility.

Externally, China's economic growth has given her the means to support double digit increases in defence spending for over 25 years, building a military force which can give pause to the sole superpower in China's immediate vicinity, and can certainly ensure dominance against all but three of her largest neighbours – Russia, India and Japan. Since 2008, she has reignited her maritime disputes in the seas near China – the East China Sea with Japan and the South China Sea with Vietnam and other ASEAN members – and has begun a much more muscular defence of an expanded definition of her core interests.

What does this presage for China's future behaviour as a power? The world has been so fascinated by the rise of China that reactions, even from scholars, have been extreme, predicting China's imminent collapse or, at the other extreme, 'When China Rules the World', as one recent book was called. Logic, Chinese history, geography, and China's present condition tell us that the truth is somewhere in between and much more complex.

There is today a cottage industry of scholarship explaining China's behaviour by referring to its history, to the so-called tributary system, to ancient Chinese barbarian-handling manuals, and so on. It is true that, like India, China has a well-developed tradition of statecraft, stretching back at least two and a half thousand years. But, unlike India, China's is essentially a history of statecraft within a closed system of ideologically and ethnically homogenous states or entities. Those who were not of the same ethnicity, or not Han, were sought to be assimilated or Sinicised through a process of acculturation, starting with

the Chinese language and philosophy which acknowledged no equal. The Chinese saw no alternative or other manner of statecraft until the contact with India and Buddhism in the Tang. For a proud people who had no real experience of coping with diversity or a world of equals (except under "barbarian" dynasties like the Mongols), the shock of contact with military and economic superiority of the West in the 19th century was thus much more for China than for Japan or India.

History has left China with a fear of barbarian encirclement, and a strong drive to status/ 'face' and power after what they regard as "a century of humiliation" and colonial degradation – a fate that Sun Yat Sen described as worse than India's because, he said, 'India was the favoured wife of Britain while China was the common prostitute of all the powers'. The goals that China pursues in the international system today, of status/'face', of the China Dream, are a direct result of this narrative of Chinese history, which the CPC has appropriated to argue that only the Communist Party can realise and restore China's pride. As Mao declared on October 1, 1949 at Tiananmen Square, "China has stood up … Without the CPC there is no new China!"

Taken together, history and the trauma of the long 19th century left China self-centred, lonely, seeking respect, and touchy.

These emotions are heightened by the effects of geography, and China's present condition.

In any case, historical patterns and strategic culture only partly explain China's behaviour today. If they did, there would be clear consensus among historians and they would be able to predict China's behaviour, which they are notoriously bad at.

Unlike the US, which is protected by two of the worlds largest oceans, China is in a crowded neighbourhood, has land boundaries with 13 countries, has only two allies — Pakistan and North Korea – and some of her neighbours with whom she has difficult relations have also been accumulating hard and soft power and working with each other, such as Japan, India and Vietnam.

Despite the considerable strides that China has made in acquiring power, she still lacks the capability to manage, devise or impose a political or security order in her immediate neighbourhood, the Asia-Pacific.

This is a function not just of the balance of power and the presence of the United States, but also of her inability to offer a normative framework, and, because of the nature of China's relations with significant countries like India, Japan, Vietnam, Indonesia, Russia and others. If China cannot, and the US will not continue to, provide security in the commons through alliances and bases, we should expect continued instability in the Asia-Pacific. Optimists – and those who want to change the status quo, like China – call this outcome multipolarity and welcome it, since instability offers space to pursue one's interests and opens up the possibility of improving one's position.

Can the world economy recover and prosper amidst such political and security instability, and in the economic fragmentation that the TPP, RCEP and other regional free trade agreements represent? My own sense is that it cannot. Also, the natural reaction to prolonged insecurity and strategic competition between states in the region would be to form coalitions and alliances, formal or informal.

Just as her professed dedication to freedom or democracy has never been an accurate predictor of US behaviour, China's professions of win-win diplomacy, Confucian benevolence, and economic priorities are unlikely to serve as an indicator for future Chinese behaviour. Instead, as I have said, the drivers of Chinese foreign policy are likely to remain the quest for status and the acquisition of power – political, military and economic. The only consideration that might override them, in some hard to conceive and unlikely circumstances, is regime continuity in China. If rule by the CPC elite is threatened by the consequences of the drive for status and power, that push will be limited or modified. But for the present, the world should expect more of the "assertive" China. Her own ambitious goals make it so.

At the same time, it is important to make a realistic assessment of Chinese statecraft. People around the world usually assume China is better at the application of power than others. This may not be true, particularly when one looks at the consequences of their recent policies, which have united their neighbours against them, or when you look at their limited ability to shape the environment around them and in the world. We tend to see Chinese under every bed around the world, but in fact, China often creates the impression of power by not actually exercising it. Instead it is the informal spread of her people and economic influence — as in Laos, Myanmar, etc — that is working for her.

Where China is better at the application of power is in her unique willingness to take risks. The Great Leap Forward was a gamble that failed (and led to over 30 million dead in the subsequent famine), while Reform and Opening Up was a gamble that succeeded spectacularly. Objectively, there was no real reason to expect one to fail and the other to succeed when they were initiated. Both were policy gambles. Both relied on external support, from the Soviet Union and the US, respectively. What made Reform's success possible was the willingness to pragmatically experiment and change as they went along — "feeling the stones underfoot while crossing the river" as Deng said.

The third aspect of the application of force in which China is different is in the use of force short of war, in small doses, and in the use of the threat of force rather than force itself. Chinese history and novels like *San Guo* are replete with instances of such uses of force, not of epic wars like the Mahabharata and Ramayana. In 1962, India was ready to fight WWII while the Chinese fought a very different small war to a political plan.

However, none of these — understanding the limits of power, risk-taking, and the use of force short of war— guarantee success in all situations as the Chinese war on Vietnam in 1979, and the effects of her post-2008 assertiveness show. Nor have they arrested the steady decline in the legitimacy of the CPC internally or its shrinking ability to control Chinese society and thought.

In institutional terms, Ian Johnson makes the valid point that the effective shelf life of a Chinese leader today is no more than that of a politician elected for five years. While he knows that he will be the leader five years before his appointment when he is brought into the Politbureau Standing Committee, his period of effective power is the first three or four years of his first term. So, for instance, the jockeying for the next Party Congress in 2019 will start by 2017 at the latest, and Xi Jinping's successor will join the PBSC at that Congress. Since the iron rule of age and two term limits was imposed, this in itself limits the freedom of manoeuvre of a Chinese leader, just as the prospect of re-election distracts a democratic leader from governance in his/her last two years in office. Nor can one argue that the Chinese bureaucracy is more efficient than others — just ask any ordinary Chinese or try living as one.

The inability to make fundamental changes in the nature of one party rule and to actually change the role and influence of the state owned enterprises of the present regime in China which came in with such grand promises suggests that the rigidities in the Chinese system should not be underestimated.

In other words, the world must prepare itself for a more assertive China but should get past the myth of the superhuman and farsighted Chinese leadership and the hyper-efficient Chinese state which is intrinsically superior. China's leaders are human and, like the rest of us, do great things occasionally but also make mistakes.

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What China's Rise Means for India

In the last of a three-part article, India's former National Security Adviser analyses how India should responsd to the growing regional assertion of Chinese power

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Without drastic modifications in Chinese or American behaviour – which I consider unlikely – the rise of China means three things. First, an extended period of political and security instability in Asia and the Pacific. Second, that there will be no quick recovery for the world economy and certainly no return to the pre-2008 good times of globalisation and open markets. Third, that security competition between the US and China will remain the principal contradiction, as Mao would have said.

The assertive China that we have seen since 2008 is here to stay for the foreseeable future. Security dilemmas between China and Japan, China and India, China and Vietnam and others will intensify.

In other words, the environment in which India pursues its interests will get more complex. And the very complexity of the situation in the Asia-Pacific gives India a choice of partners and collaborators to work with in the pursuit of its interests.

The Chinese drive to power and status is very different from the inferiority complex that elements of the Indian middle class display. Some recent examples of this complex are Prime Minister Narendra Modi's statements abroad about being ashamed of being Indian; the neuralgic glee with which the Chinese stock market crash in September 2015 occasioned a much-publicised meeting by Modi and Finance Minister Arun Jaitley with Indian business "to see how to take China's place"; and the Indian media's reaction to any thing to do with the India-China border.

An assertive China is unlikely to seek an early settlement of the boundary issue no matter how reasonable India may be – even though the technical work has all been done and over 50 years of stability on the border suggests that give and take on the basis of the status quo is the logical way forward. On the other hand, China's other priorities have made Pakistan even more crucial to China's purposes – religious extremism and terrorism in Xinjiang, overland access to the Indian Ocean, keeping India in check, a window on western arms technology, the Chinese commitment and presence in POK, etc.

Pakistan's game is to suck India into confrontation, thus establishing Pakistan's utility to those who feel concern at India's rise and acquisition of power and agency — China, the US and others. Today, Russia sells arms to Pakistan, the US is discussing Pakistan's nuclear weapons and Afghanistan's future with her, and China has committed US$ 46 billion to Pakistan, all representing increased commitments to Pakistan which are an order of magnitude bigger than ever before. In the last year, India has equated itself with Pakistan and is asking the West to refrain from supporting Pakistan. However, the US and its allies follow their interests, not sentiment or logic. So long as Pakistani terrorism is not a threat to them (as when General Musharraf handed over Al Qaeda elements and they went after Osama bin Laden themselves) they will not expend blood or treasure eliminating Pakistan-origin terrorism for India.

Add to this China's dependence on the Indian Ocean, and her suspicions about India-US defence cooperation and strategic coordination. Taken together, these factors make it likely that China will keep the boundary issue alive as a lever in the relationship with India. Nor is it likely that a CPC leadership that increasingly relies on nationalism for its legitimacy will find it easy to make the compromises necessary for a boundary settlement. This, incidentally, is also true of India. This is one reason why public Chinese rhetoric on the boundary has become stronger in the last few years, even though their posture on the border has not changed.

But there is more to India and China than the boundary. In fact, the overall salience of the boundary in the relationship has diminished considerably over time, now that the Boundary Peace and Tranquility Agreement of 1993 and subsequent CBMs have stabilised the status quo, which neither side has tried to change fundamentally in the last 30 years, while improving their own capabilities and position.

Bilaterally, China is now India's largest trading partner in goods, while we compete for global markets. Today, over 11,000 Indian students study in China, and we have mechanisms to deal with issues like trans-border rivers, the trade deficit and so on.

And on several global issues in multilateral forums we have worked together, each in pursuit of our own interests — the WTO, climate change negotiations and so on.

Fundamentally we have a relationship with elements of cooperation and competition at the same time. This duality is also true in terms of core national interests. Both countries have an interest in improving on the existing security and economic order. This is why we have been among the founders of the AIIB and NDB. But we compete in the periphery that we share, hence the Indian hesitation on OBOR and our sensitivity about the Chinese military presence in the Indian Ocean littoral. And neither thinks the other has accepted its territorial integrity.

In this situation, the rest of the world can only be a limited enabler in India-China relations, since they will use India-China competition for their own purposes, as we see with our other neighbours, to a lesser or greater degree. Ultimately, this is a critical relationship which will determine our future which we will have to deal with ourselves. Foreign policy is not events, drama, visits or projection. It is hard work guided by a vision of India's interests, and no relationship is better proof of this than our relationship with China.

As far as I can see, the pattern of competition side by side with cooperation will continue to mark the bilateral relationship in the short term. The one thing that could change this prognosis is the fact that India and China (and Japan too) have seen the rise to power

since 2012 of conservative, authoritarian centralisers, conservative by the standards of their own parties and societies, with little experience at the centre, and strong ideological predispositions to nationalist or even chauvinist rhetoric. While the leaders have been careful in public, the terms in which foreign and security policy are discussed in China, India (and Japan) have become much more shrill. Anti-foreign views, jingoistic slogans, intolerant ideas, and downright bad manners are common not just on the internet. These would not matter in normal times but these are times when governments are under stress, and could seek external release from internal difficulties.

The other risk in India-China relations comes from the mutual gap between perception and reality. Quite frankly, the China that I see described in Indian commentary on China bears little relationship to the China that I have worked with, lived in and see on my visits. The same is true of Chinese perceptions of India, though to a lesser degree. The problem has become more acute recently. Narratives of inevitable conflict and clashing interests can be self-fulfilling prophecies. Before 1962, both India and China operated on the basis of an idealised construct of the other which was quite distinct from reality. Besides, throughout the 1950s, the gap between scholarship and policy in both India and China grew wider and wider. The result was conflict.

It is not my point that we are in a similar situation today. Far from it. In fact, I am convinced that we are at a moment of opportunity for India-China relations as a result of the rapid development of both countries in the last 30 years, of what we have achieved bilaterally in this period, and of the evolution of the international situation in the last few years. I would go to the extent of saying that both countries could benefit their core interests if they worked together.

But to realise their potential, it is essential that both countries understand each other and the reality and perceptions that guide their actions. Frankly if we make policy thinking of China as a dragon, a mythical beast, that policy is guaranteed to fail.