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The Future Balance of Power in East Asia: What are the Geopolitical Risks?

Paul Dobb

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Introduction

An historic shift is occurring in the global balance. The 21st century will witness the assertion of Asia as the locus of world power and the relative decline of Europe. The United States will remain the dominant power for a long time, perhaps until the middle of the century. But the world will progressively become a multipolar world with three Asian great powers (China, Japan and India) and one Eurasian power (Russia) competing with the United States.

The central question of the next 20 years will be whether this new correlation of forces in Asia is a peaceful one or one of competition and conflict. History tells us that the rapid emergence of a new power has often disrupted the existing order and led to war (the examples of Germany and Japan come to mind). But there are other instances where a multipolar world has been managed more skilfully and, in this context, the Congress of Vienna¹ which led to a century basically at peace is most often quoted (although there were the Crimean and the Franco-Prussian wars).

Asia's future will be determined by whether there is a cooperative and largely peaceful interaction between China, Japan, India, Russia and the United States or whether there will be a much more unstable struggle for influence and power in the years ahead. So far, the auguries seem quite good: there is no militarised expansionist power on the scene and all the major powers are benefiting greatly from an unprecedented period of economic growth and interdependence. Moreover, there are established regional security organisations (such as the ASEAN Regional Forum)² where the key players in Asia regularly meet together and discuss security issues.

But new pressures are emerging that could change all this: climate change; the struggle for scarce resources (particularly energy); ageing populations; and the fact that economic growth is inevitably leading to greater expenditure on arms and nuclear weapons. There are other serious problems looming in Asia: outstanding territorial claims, deep-seated historical antipathies combined with rising nationalisms, ethnic and religious clashes, and the fact that globalisation is not benefiting all countries (or all regions or people within a country) equally.

Two Schools of Thought

There are two schools of thought about Asia's future. Those affiliated with the first school are optimistic, believing that the forces of globalisation and economic interdependence will encourage nation states to avoid conflict. This is a view often proselytised by the ASEAN countries and by China (Hu Jintao's 'harmonious region').³ It is supported by the evidence that there has been no major war in Asia since the end of the Vietnam War over 30 years ago and that potentially dangerous hot spots—such as the Korean peninsula and the Taiwan Strait—have not erupted into armed conflict. This point of view also argues that Asia's security architecture, and in particular ASEAN and the ASEAN Regional Forum, have developed a uniquely Asian way of ensuring a peaceful regional order.

The second point of view reflects the belief that it is in the nature of relations between great powers that they will struggle for influence and that the legacy of history in Asia will inevitably lead to conflict. The most obvious risk in this regard is between China and Japan. But there is also the danger of collision between a rising China and the United States as the established dominant power in the region. This school of thought points to the fragile nature of regional security architectures, the lack of arms control and disarmament agreements, and even basic confidence building measures and military transparency.

Never before has Asia experienced a strong China and a strong Japan at the same time, as well as a reassertive Russia and India looming as a major new player. Add to this mix a United States that is preoccupied by the so-called 'global war on terror' and whose international reputation has been seriously damaged by its failure in Iraq.

Respected former senior American officials, such as Rich Armitage and Kurt Campbell, have commented that this US Administration has ignored East Asia and is allowing China to take advantage of its preoccupation elsewhere.⁴ And yet an America that retreated into one of its periodic bouts of isolationism would leave Asia in a dangerous situation. It would be vulnerable to the ambitions of large powers, such as China, which are already seeking to carve out spheres of influence for themselves in Southeast Asia and on the Korean peninsula.

The Future Trajectory of the Great Powers

As an adherent of the second school of thought, I take as a fundamental premise that nations remain as strong as ever, and so too do nationalist ambitions and the competition among nations that have shaped history. The current order in the world is not only far from perfect but offers no guarantee against major conflict among the world's great powers. I also agree with Robert Kagan's important judgement that 'competition between liberalism and absolutism has re-emerged, with the nations of the world increasingly lining up, as in the past, along ideological lines'.⁵ After the Second World War, Hans Morgenthau warned idealists against imagining that at some point 'the final curtain would fall and the game of power politics would no longer be played'.⁶

I do not consider that the other great struggle of our time, the violent struggle of Islamic fundamentalists against the modern powers and secular cultures, will become a serious issue in the security order of East Asia—except in Southeast Asia. This struggle between

Western modernisation and globalisation, on the one hand, and Islamic extreme traditionalism, on the other, is not an existential threat on the international stage.⁷ The future is more likely to be dominated by the struggle among the great powers and between the great ideologies of liberalism and autocracy, especially in East Asia.

China

First, there is the rise of China. The most likely scenario is for the Chinese economy to grow strongly and its political and military power to grow commensurately. (The possibility that China's growth may falter is examined below). In terms of purchasing power parity, the Chinese economy may equal that of the United States in size by 2020 or 2030. But according to the World Bank, although China's share of world Gross Domestic Product as conventionally measured will increase substantially from 4.7 percent at present to 7.9 percent in 2020 it will still be much less than that of the United States, which will remain relatively unchanged at 28.5 percent in 2020 from 28.4 percent today.⁸ Other Asian pundits, such as Kishore Mahbubani claim that by 2050 the world's four largest economies in order will be: China, the United States, India and Japan.⁹

But the important point here is that, short of a major economic collapse, China's economic power should continue to grow faster than that of any other country in our region and this will help cement China's future position as the predominant power in Asia. China's military budget is already larger than that of Japan and Russia in purchasing power parity terms. The International Institute for Strategic Studies (IISS) puts China's current military expenditure at \$US122 billion, while the Pentagon's (Defense Intelligence Agency) estimate is between \$US85 billion and US\$125 billion.¹⁰ If China's defence spending continues to grow in real terms (inflation-adjusted) by the 11.8 percent annual growth for the decade to 2006, by 2020 it would approximate \$US400 billion—a figure not dissimilar from that of the United States now. Even if we take China's own declared official defence budget of US\$45 billion for 2007, it will be almost \$200 billion in 2020.¹¹ Either way, China's military expenditure will be the second largest in the world by 2020.

I expect that by 2020 China will have a much more survivable strategic nuclear force (both land-based and sea-based intercontinental ballistic missiles) and—unless Japan spends a lot more on defence—the most potent naval and air forces of any Asian great power. It may well have an operational aircraft carrier capability in this timeframe, as well as advanced anti-satellite capabilities and some form of ballistic missile defence.

The strong growth of China's political and military power will enable it to dominate its maritime approaches and make survival much more hazardous for US naval forces, especially in the Taiwan Strait. We can expect to see China have more influence even than today in Southeast Asia, which it sees as its natural sphere of influence, and it may come to have more influence in South Korea than the United States.

What could go wrong with this prediction? It is predicated on the strong continuing growth of the Chinese economy. Some experts predict that China is heading for a major economic recession because of over-heating in the economy and fragile legal and financial regulation. Some believe that below the surface there are potential fault lines, such as the unfunded liabilities of its social security system.¹² Its political system, which relies on perpetuating the

myths of the leading role of communism, is also potentially fragile, but for the sake of its economy it is essential that the government remains strong.

We are unlikely to see the overthrow of the communist regime in China in the next decade. Although the demands of economic modernisation will continue to moderate the nature of communist authoritarian rule, it seems unlikely that the Chinese Communist Party will suffer the same fate as the Communist Party of the Soviet Union as long as it delivers strong economic growth. The danger, however, is that as the appeal of sterile communist ideology continues to fade, the leadership will become even more prone to depend on whipping up Chinese nationalism (where Japan is always the easy target).

India

India is the other rising power but it lags significantly behind China in economic reforms. According to the World Bank, India's share of world Gross Domestic Product will climb from 1.7 percent today to 2.4 percent by 2020.¹³ That would make China's economy still at least three times as large as that of India. But India's population is set to outstrip that of China (according to UN population projections, by 2050 India's population will be 1,593 million compared with China's 1,392 million).¹⁴ India also has some political and diplomatic advantages that China lacks. It has managed to maintain a genuine democracy for almost the whole time since its independence was restored, and has a lively, free-speaking political class which eases its relations with the West. Its educated classes speak English and are exploiting this by building up wealth through software and Internet skills. It has freed itself from its client state relationship with the former Soviet Union and has rapidly developed new relationships with the United States and Japan.

India's regional ambitions have traditionally been more muted and focused most intently on Pakistan. But it is now engaged in competition with China for dominance in the Indian Ocean and sees itself, correctly, as an emerging great power on the world scene. India's defence budget is currently US\$22 billion or about five times that of Pakistan.¹⁵ And its population base is almost seven times that of Pakistan. (Although according to UN population projections by 2050 India's population will only be 4.4 times as large as that of Pakistan).¹⁶

The major difference between India and China is that India, unlike China, has no built-in basis for rivalry with the United States, but rather the reverse: a built-in congruity of interest. And as China grows in power, India's mistrust of its large and ambitious neighbour will also grow. Some believe that India might in time become the natural ally of the United States in containing Chinese power. In private conversations, senior Indian officials express deep reservations about the future trajectory of Chinese power. India sees itself as the natural dominant power of the Indian Ocean and it is building up its maritime forces to be able to project naval power between the Strait of Hormuz and the Strait of Malacca.¹⁷ As both China and India become more dependent upon the Persian Gulf for oil supplies the risk of maritime conflict in the Indian Ocean will grow.

Japan

Japan is a more confident power and it is playing a more active security role in international affairs. In the past, it could have been described as an aspiring post-modern power—with its pacifist constitution and low defence spending. But it now appears embarked on a more normal national course as it faces a rising China and uncertainty about the continuing focus

of US power in Asia. Japan remains for now the world's second-largest economy and has demonstrated its adaptability to changing world economic markets.¹⁸ It has a highly educated workforce and is capable of leading edge technological innovation. Unlike China but like India, Japan is a democracy with a free press and a rules-based judicial system and civil society.

Japan currently has the most capable naval and air forces of any Asian power and, if so desired, could develop a deliverable nuclear weapon in less than two years (this would only be likely to occur if Tokyo lost confidence in its alliance with the United States and Washington's commitment to extended nuclear deterrence). It is pursuing research and development of other advanced military technologies, such as ballistic missile defence.¹⁹

Japan is the linchpin of America's alliance system in the Asia-Pacific region. Without the United States, Japan would be fully exposed to China's great power ambitions and its deep-seated historical antipathy towards Japan. China is now Japan's largest trading partner, but it cannot ignore the fact that Chinese medium-range ballistic missiles with nuclear warheads can reach Japanese cities.²⁰ And as China extends its military power, especially naval power, it will be only natural for Japan to build up robust military capabilities in response. Japan's military supply relationship with the United States and its own indigenous military capabilities should ensure for some years yet that China remains in an inferior maritime position, despite some relatively capable weapons being supplied by Russia. But this military lead over China will be lost over the next decade or two.

Other than understanding in great detail the rise of China, the most important challenge for Tokyo in the coming years will be to ascertain the continuing commitment of the United States to the defence of Japan. Under certain contingencies, the United States might eventually face a choice between war with a by then far more heavily nuclear-armed China, or withdrawing its forces to a line that extends about as far as Guam and Hawaii. Any signs of a reversion by the United States to one of its periodic historical bouts of isolationism would be a trigger for either Tokyo's accommodation with Beijing or, more likely, full-scale rearmament.

The bottom line is that China and Japan are now in a competitive quest, with each one trying to augment its own status and power and prevent the other's rise to regional dominance. This competition will increasingly have a military and strategic as well as an economic and political component. As Aaron Friedberg has commented, the East Asian future looks more like Europe's past than its present. But it also looks like Asia's past.²¹

There is another big geopolitical challenge looming for Japan. That is the prospect eventually of a unified Korea, with some 70 million people, which also has a deep-seated historical antipathy towards Japan. There are already signs that South Korea is moving away from its long preoccupation with the military threat from North Korea and beginning to deliberately develop military forces capable of more distant maritime operations. The obvious target of this build-up is Japan. A unified Korea would be a potentially formidable military competitor for Japan. And China has already built up good relations not only with North Korea but also with the South. A strong China and a strong unified Korea would radically undermine Japan's entire strategic circumstances.

Russia

We are seeing the reassertion of Russian power on the world stage. Russia now has the eighth largest economy in the world with the third-largest foreign exchange reserves.²² It is the largest producer of natural gas in the world and the second largest producer of oil.²³ Vladimir Putin sees Russia's power as based on the fact that in an energy-tight world Russia is an energy superpower.

The Russian economy has grown by over 50 percent in the last seven years and has been averaging a robust 6 to 7 percent growth annually.²⁴ Russia's defence spending has increased by 69 percent in real terms since 2003.²⁵ This underscores the priority Putin attaches to rebuilding Russia's armed forces. The best estimate by the IISS is that Russia's military expenditure is about 3 percent of GDP or \$US60 billion in terms of purchasing power parity.²⁶ This is more than Japan, the United Kingdom or France spends on defence. In 2005, for the first time since the end of the Cold War, Russia's arms exports to the developing world outstripped those of the United States.²⁷

Economic success has transformed the Kremlin leadership's view of Russia's role in world affairs. As a result, Russia has become a more assertive power with, once again, global ambitions. This has led to problems and friction in its relations with Europe and the United States.

Russia has suspended its membership of the Conventional Forces in Europe agreement with the North Atlantic Treaty Organization (NATO), threatened Poland and the Czech Republic with becoming Russian targets if they go ahead with hosting US missile defence forces, and recommenced after a 15-year suspension long-range bomber patrols over the Atlantic and Pacific.²⁸ In March 2007, the Russian Security Council announced that it no longer considered terrorism to be the greatest threat. Instead, it unveiled a new strategy based upon 'geopolitical realities'—namely, that rival military alliances are becoming stronger, 'especially NATO'. As Putin has remarked, "we succumbed to the illusion that we don't have enemies, and we have paid dearly for that."²⁹

Moscow is determined to demonstrate that Russia is a force to be reckoned with, based on its newfound wealth as an energy superpower. Russia's economic revival is enabling it to regain international respect. Moscow has a common cause with Beijing in rejecting what they both see as US unilateralism. In February 2007, Putin stated that the United States "has overstepped its national borders in every way." This, he said, "is a world in which there is one master, one sovereign."³⁰ Putin's objective is to challenge US hegemony and, to this end, he has developed a strategic partnership with China, which he supplies with advanced weapons.³¹ China and Russia concert together in the Shanghai Cooperation Organisation, an economic and strategic bloc which includes the energy rich countries of Central Asia. It accounts for 20 percent of the world's proven oil reserves, 50 percent of known natural gas reserves and some 45 percent of the world's population.³²

It is difficult to envision what could prompt a new rapprochement these days between Russia and the West. Many in Moscow view NATO as an anti-Russian organisation and a potential threat. And Russians have not forgotten that the United States did nothing to help them economically when the Soviet economy collapsed dramatically in the early 1990s: unlike defeated Nazi Germany in 1945 there was no Marshall Plan for Russia.

It is a serious mistake to think that Russia has been demoted for all time to being a second-rate power. The Kremlin now feels it has a choice between accepting continuing subservience to the West and reasserting its status as a great power. It has clearly and decisively chosen the latter course. This direction almost surely promises greater tension—perhaps serious tension—between Russia and the West.

Russia's role in the balance of power in East Asia for the foreseeable future will be to align itself with China against the United States. Russia's relations with Japan are never likely to be close and returning the Northern Territories appears to be a lost cause. But in the longer term, Moscow's apprehensions about the growing strength of China on its distant Siberian borders seem likely to generate frictions.

United States

The United States has been weakened by the war in Iraq. If Washington continues to be preoccupied (some would say obsessed) with the so-called 'global war on terror' and the Middle East, then East Asia is likely to take less of its attention, absent a major military crisis across the Taiwan Strait or on the Korean peninsula.

The US economy remains strong, but large budget and trade deficits combined with the recent financial crisis over sub-prime mortgage loans all point to an economy under stress. This is paralleled by an army that is close to breaking point from four years continuous war in Iraq. A new Democratic administration in 2009 will be more cautious about committing itself to future land wars, including in East Asia.

The United States faces two major new challenges. With al Qaeda terrorists, it confronts the threat from a small group of individuals, without a major power behind them, which has proved capable of inflicting death and damage on a horrendous scale. The other challenge arises from unstoppable changes in the international redistribution of power, which, for the first time in America's history since the 19th century, will face it with a truly multipolar balance of power.

The United States now has to contemplate future challenges not from a single competitor like the Soviet Union, but from multiple sources of power. In fact, the much vaunted 'unipolar moment' only lasted for a decade from the collapse of the Soviet Union in 1991 to the 11 September 2001 terrorist attacks on New York and Washington.³³ In some form, however, US unipolarity seems likely to persist for at least the next two or three decades in the sense that there will be no other co-equal power. But US power will come increasingly under challenge, and already America's influence and reputation has been damaged by its ill-judged war in Iraq.

At present Washington seems to be seeking to devise a loose alliance, or at least an alignment, of democracies in Asia. This would include, in the first instance, the United States, Japan, Australia and India; that would leave out South Korea and the so-called democracies of Southeast Asia (the Philippines, Indonesia, Malaysia, Thailand and Singapore). Such an arrangement would start to look like a containment of China. It is a concept fraught with danger and is unlikely to succeed.

Since 1945 the United States has insisted on acquiring and maintaining military supremacy—a preponderance of power in the world rather than a balance of power with other nations.

They have operated on the ideological conviction that liberal democracy is the only legitimate form of government and that other forms of government are not only illegitimate but transitory. They see the United States as a catalyst for change in human affairs and are impatient with the status quo. Many in the George W. Bush Administration have sought revolutionary rather than gradual solutions to problems. Therefore, they have often been at odds with the more cautious approaches of their allies. This tension seems likely to increase with the rise of other major powers more resistant to US hegemony.

We need to understand that these characteristics of US foreign policy spring from the nation's historical experience and its possession of hard power. America's elected leaders believe it is the role of the United States—indeed, its 'manifest destiny'—to improve the world. That seems certain to put it on a collision course with the autocracies of China and Russia, where American attempts to impose democracy will certainly fail.

A New Order in Asia?

It can be argued that a unipolar world in US hands is less likely to produce a major war between great powers. But such a system cannot continue because it is both dangerous and unjust and, in any event, the upcoming historic shift in the Asian balance of power will herald the arrival of a more multipolar world. It will be more competitive and potentially unstable precisely because of the arrival of strong new great powers.

This will be a novel and difficult challenge for present-day United States to adjust to: Washington will have to get used to the idea that the future international order will be shaped by those who have the new power to shape it. Several large powers are competing now for regional predominance in Asia, both with the United States and with each other. Most of these powers either possess or could quickly develop nuclear weapons: that might make wars between them less likely, or it could simply make them more catastrophic.

The international order we know today reflects the distribution of power in the world since the Second World War, and especially since the end of the Cold War. A different configuration of power—a multipolar world in which the poles are the United States, China, Japan, Russia, India and the European Union—will produce its own kind of order, with different rules and norms reflecting the interests of the powerful states that will have a hand in shaping it.

Will that international order be an improvement? Perhaps for Beijing, Moscow and New Delhi it might: for Washington and Tokyo it may not. That will be especially the case if the United States weakens or withdraws from its position of regional dominance in East Asia. In an era of burgeoning nationalism, that would only be likely to lead to a position of intensified competition between China and Japan. Beijing needs to understand, however, that a US withdrawal could inevitably lead to a militarily stronger, independent, and nationalist Japan.

Under these circumstances, calls for a new concert of nations in which the United States, China, Russia, Japan, India and Europe operate under some kind of international condominium are unlikely to succeed. The early 19th century Concert of Europe operated under the umbrella of a common morality and shared principles of government (including the maintenance of a monarchical and aristocratic order against the radical challenges presented by the French and American revolutions). Today there is little sense of shared morality and

common political principles among the great powers. On the contrary, it can be argued that there is suspicion, growing hostility and the well-grounded view on the part of the autocracies that the democracies would welcome their overthrow. There can be no such concert in East Asia where ideological fault lines coincide with those caused by competitive national ambitions. It is no accident that two of the world's most nationalistic powers—China and Russia—are also the two leading autocracies. This fact will have immense geopolitical significance for the balance of power in Asia.

What Could Go Wrong with the Balance?

My conclusion from the foregoing analysis is that the international order in East Asia is on the brink of major and uncertain change. There will inevitably be a struggle for power and influence between the new autocratic great powers (China and Russia) and the more established democratic great powers (the United States and Japan). India is a new democratic player, but it is yet to establish a position of power for itself. Unlike China or Russia, India has no historical strategic space other than on the sub-continent.

Whatever new balance of power emerges in East Asia in the future, it would be wrong to predict the end of military confrontation and conflict among great powers. And (contrary to the views of Kishore Mahbubani) one can have no confidence in the Asia-Pacific region's weak security organisations having the will, or focus, to avert a crisis were one to arise.

The two most obvious crises in East Asia involve the Taiwan Strait and the Korean peninsula. In either case, were war to occur, it would drastically undermine peace and stability in the region. The outbreak of war on the Korean peninsula would bring devastation to both North and South Korea, and it might lead to North Korean ballistic missile attacks on Japan. But Pyongyang should understand that even a limited nuclear strike on Japan would lead to the complete obliteration of its regime. If Washington did not respond in this way, the commitment to extended nuclear deterrence for all its allies would collapse. Were China to enter the conflict on the side of North Korea, as it did in 1950, then the geopolitical impact of the war would extend from the peninsula itself to a complete breakdown in Sino-US relations.

This contingency is unlikely to occur in the foreseeable future because (i) North Korea seems inclined to be cooperative with America on nuclear disarmament (although that remains to be seen); and (ii) China does not want its economic growth and modernisation imperilled by war on the Korean peninsula.

We need to consider the geopolitical implications of a collapsed North Korean regime for Korean reunification. Were that to occur, it would take decades for Seoul to bring about any semblance of a unified state. After almost 20 years, the eastern part of Germany is still not properly assimilated into the western part—and East Germany was a relatively more accessible society to external influences than is North Korea. But, in the longer term, a powerful, unified Korea would focus on Japan as its natural enemy and the risk of tension and conflict would rise.

In some ways, the Taiwan Strait involves even more serious issues. An unprovoked attack by China on Taiwan would undoubtedly lead to military conflict between the United States and China. This could lead to limited US strikes on Chinese coastal military installations. But

it would be unlikely to escalate to general war between the two countries and to the use of nuclear weapons.

If military conflict occurred between the United States and China across the Taiwan Strait, Washington would expect its closest allies in the region to support it. It would turn to both Australia and Japan for military assistance and logistics support respectively. If either of these two countries were to decline, the effect on the bilateral alliance with the United States would be very serious—perhaps even terminal. This is because Washington would have no other allies that it could expect to turn to in the entire Asia-Pacific region or, indeed, in Europe. Therefore, a refusal from Australia or Japan would be a very serious alliance matter for Washington.

In current and foreseeable circumstances, however, Beijing does not see it in its interests to come to blows with Washington. As long as Taipei avoids provoking China by a declaration of independence, Beijing is likely to continue down the path of patience and seek to embrace Taiwan through a process of economic assimilation.

Apart from these two specific contingencies, the other worries about what could go wrong with the balance of power in East Asia centre around the collapse of great power relations. Because there are five great powers involved (the United States, China, Japan, Russia and India) the possible permutations of what could go wrong are endless. They could conceivably include: conflict between Russia and China over Siberia and the Russian Far East; another war between India and China over Himalayan territories or naval confrontation in the Indian Ocean; conflict between Russia and Japan over the Northern Territories; a general Sino-US war; or nuclear war between Russia and the United States.

None of these are highly likely, although in the longer-term some of them cannot be completely dismissed. It is, in my view, more fruitful to concentrate on two situations: (i) a US retreat into isolationism; and (ii) conflict between China and Japan.

I have chosen these two contingencies because they are more credible in the medium term and because they involve major shifts in the alignment of geopolitical forces in East Asia that require close monitoring and analysis now.

The United States had experienced significant periods of isolationism for much of the 19th century; in the 20th century it entered both world wars late; and defeat in the Vietnam War saw it retreat while the Soviet Union took advantage in Afghanistan, Angola and elsewhere. I have argued in this paper that America's reputation has been substantially damaged by its experience in Iraq and that it is unlikely to welcome a land war in Asia for the foreseeable future. Furthermore, Washington's preoccupation with the so-called 'global war on terror' holds out little prospect anytime soon of a refocusing of US foreign and defence policies on East Asia.

It will be vital for Australia to monitor closely the development of US policies as its campaign against terrorism drags on, particularly in the Middle East. We need to understand more clearly the sources of US conduct in this post 11 September 2001 era, so that we are not surprised by any tendency in Washington to retract from East Asia or pay insufficient attention to Tokyo's requirement for reassurance.

We saw in the Cold War how one-eyed America's policies could be: the United States brooked no other subject of national security as warranting serious attention. There is a danger that we are now in a similar period of US preoccupation, just when serious geopolitical challenges are set to emerge in East Asia.

It will be important for America's major allies in Asia to assess accurately the dynamics of the continuing growth of China's power. This needs to involve detailed analysis of China's hard power (economic and military) and its soft power (diplomatic and cultural). We need to be able to understand where China is winning in the game of influence and leadership in East Asia, and where it is not.

The Pentagon, in particular, will be attracted to the idea of drumming up the spectre of a real military challenge from a future China—as distinct from the less respectable challenge of fighting terrorism in the Middle East. While China's sheer size and geographical position of influence needs to be taken seriously, it is not in Australia's interests for the United States to view China as the next Soviet Union.

Given Beijing's deep-seated hostility towards Japan, and its sense of historical humiliation, there is a real risk that as China gets stronger it will want Japan to behave like a tributary state. Failing that outcome, Beijing may be inclined to use its superior military power and political leadership in East Asia to compel Japan into acquiescence to its demands.

We are not talking here about a military attack on Japan by China. That would be too dangerous: rather, the risk is that China will use its power and influence to limit that of Japan, to constrain Japan's diplomatic options, and to take advantage of any perceived faltering of US commitment to Japan.

Implications for Australia

The conclusion of this paper is that the most important challenge for Australia is to ensure that shifts in the geopolitical balance in East Asia do not undermine the basic security of our region. The most serious risk is the rise of an autocratic and ambitious China becoming the dominant power in East Asia and circumscribing our freedom of action. The other serious challenge is the prospect of a preoccupied and weakened US ally not prepared to check the rise of China's power, leading to a loss of confidence by its allies—including Australia and Japan—in its commitment to sustaining the strategic order in our region.

If these contingencies unfolded they would be first-order strategic challenges for Australia (they would even overshadow the potential threat from failing states in our immediate neighbourhood). This suggests that we should work hard to ensure that we are not surprised by geopolitical developments in East Asia.

We also need to see what we can do to strengthen regional security dialogue and military transparency. Events must not be allowed simply to worsen in the absence of any established regional crisis management machinery. We should work harder on proposing verifiable confidence building measures and realistic preventive diplomacy proposals. It is time to challenge ASEAN's complacency in this regard.

Strong diplomacy must be a high priority for us to help maintain Asia's stability, especially if distrust remains high and manoeuvring becomes more intense. Potential shifts in the regional balance of power will carry uncertain results as the great powers assess each other's changing status and power, and the role of alliance politics, arms build-ups, and deterrence. But the unsettled relations, rivalries and shifting strengths of the Asian powers that see themselves as custodians of the regional state system will make the necessary resolution of these uncertainties and potential threats immensely difficult.

Therefore, Australia should hedge against possible turbulence and disequilibrium in East Asia. We need to be well prepared for an uncertain future as the Asian power balance inevitably changes in the decades ahead.

Notes

- 1 The Congress of Vienna was a conference of ambassadors held from 1 November 1814 to 8 June 1815. Its focus was the resolution of certain problematic issues and the redrawing of national borders in Europe.
- 2 The inaugural meeting of the ASEAN Regional Forum was held on 25 July 1994 in Bangkok. Its objectives are noted on the ARF website at <<http://www.aseanregionalforum.org/>>, accessed 2 January 2008.
- 3 See 'The Shanghai Cooperation Organization Summit is held in Shanghai; Chinese President Hu Jintao chairs the Summit and delivers an important speech' at <<http://wcm.fmprc.gov.cn/ce/cgsf/eng/xwt258616.htm>>, accessed 2 January 2008.
- 4 For comments by Rich Armitage, see, for example, Peter Hartcher, 'Messy times ahead for this ragtag empire', *Sydney Morning Herald*, 30 June 2006, available at <<http://www.smh.com.au/news/opinion/messy-times-ahead-for-this-ragtag-empire/2006/06/29/1151174328870.html?page=2>> accessed 16 January 2008. For comments by Kurt Campbell, see, for example, Takashi Kitazume, 'Regional tensions cast long shadow: With U.S. focus elsewhere, Japan-China friction unnerves Asia', *Japan Times*, 5 June 2006, available at <<http://classified.japantimes.com/ads/kkc/2006/kkc20060605a.htm>>, accessed 16 January 2008.
- 5 Robert Kagan, 'End of Dreams, Return to History', *Policy Review*, No. 144 (August–September 2007), available at <<http://www.hoover.org/publications/policyreview/8552512.html>>, pp. 17–44 (p. 18), accessed 16 January 2008.
- 6 See Hans. J Morgenthau, 'The Mainsprings of American Foreign Policy: The National Interest vs. Moral Abstractions', *American Political Science Review*, vol. XLIV, no. 4, December 1950, pp. 833–854.
- 7 A nuclear Pakistan controlled by Islamic extremists constitute a possible exception to this premise.
- 8 *China and India are Reshaping Global Trade, Finance and Industry*, Backgrounder, The World Bank, available at <http://siteresources.worldbank.org/INTCHIINDGLOECO/Resources/DwG_backgrounder.pdf>, accessed 16 January 2008. See also David Plott, 'The Language of Awe: The Rise of China and India', *Global Asia*, vol. 2, no. 2, (Fall 2007) (Book Review section), available at <<http://globalasia.org/pdf/issue3/v2n2plott.pdf>>, accessed 16 January 2008. pp. 104–108.
- 9 See Kishore Mahbubani, 'Wake up, Washington: The US risks losing Asia', *Global Asia*, vol. 2, no. 2, Fall 2007 (cover story), available at <<http://globalasia.org/pdf/issue3/v2n2mahbubani.pdf>>, accessed 2 January 2008; and remarks by Mahbubani to the Chinese Chamber of Commerce & Industry on 21 March 2007, available at <<http://mahbubani.net/speeches/SCCC1%20presentation.pdf>>, accessed 2 January 2008.
- 10 China's defence expenditure sourced from *The Military Balance*, International Institute for Strategic Studies (IISS), Routledge, London, 2007, p. 346; and from *Military Power of the People's Republic of China*, Annual Report to Congress, US Department of Defense, available at <<http://www.defenselink.mil/pubs/pdfs/070523-China-Military-Power-final.pdf>>, accessed 16 January 2008, p. 25.
- 11 *Military Power of the People's Republic of China*, available at <<http://www.defenselink.mil/pubs/pdfs/070523-China-Military-Power-final.pdf>>, accessed 16 January 2008, p. 25.
- 12 See Floyd Norris and Jeremy W. Peters, 'Wall St. Tumble Adds to Worries About Economies', *New York Times*, 28 February 2007, available at <<http://www.nytimes.com/2007/02/28/business/28stox.html>>, accessed 16 January 2008; and Rita Raagas de Ramos, 'Asia Fund Managers: No U.S. Recession', *BusinessWeek*, 14 January 2008, available at <http://www.businessweek.com/globalbiz/content/jan2008/gb20080114_176796.htm?campaign_id=rss_topStories>, accessed 16 January 2008.
- 13 *China and India are Reshaping Global Trade, Finance and Industry*, Backgrounder, The World Bank, available at <http://siteresources.worldbank.org/INTCHIINDGLOECO/Resources/DwG_backgrounder.pdf>, accessed 16 January 2008.

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- 15 The defence budgets of both India and Pakistan are sourced from *The Military Balance*, International Institute for Strategic Studies (IISS), Routledge, London, 2007, p. 314 and p. 322.
- 16 For revision figures from the UN's population database, see the *World Population Prospects: The 2006 Revision Population Database*, Department of Economic and Social Affairs, United Nations, New York, available at <<http://esa.un.org/unpp/>>, accessed 17 January 2008.
- 17 See P. K. Ghosh, 'Maritime Security Challenges in South Asia and the Indian Ocean: Response Strategies', available at <<http://www.southchinasea.org/docs/ghosh,%20maritime%20security%20challenges%20in%20Asia%20&%20Indian%20Ocean.pdf>>, accessed 16 January 2008. See also the Indian Navy's 135-page 'Indian Maritime Doctrine', June 2004; and Donald L. Berlin, 'India in the Indian Ocean', *Naval War College Review*, vol. 59, no. 2 (Spring 2006), pp. 58–89.
- 18 See the entry for Japan (economy) in *The World Factbook*, Central Intelligence Agency, Washington, D.C., 2007, available at <<https://www.cia.gov/library/publications/the-world-factbook/geos/ja.html#Econ>>, accessed 16 January 2008.
- 19 See, for example, David A. Fulghum and Douglas Barrie, 'F-22 Tops Japan's Military Wish List', *Aviation Week and Space Technology*, 22 April 2007, available at <http://www.aviationweek.com/aw/generic/story_channel.jsp?channel=defense&id=news/aw042307p2.xml>, accessed 16 January 2008; and 'Japan tests anti-missile system', BBC News Online, 18 December 2007, available at <<http://news.bbc.co.uk/2/hi/asia-pacific/7149197.stm>>, accessed 16 January 2008.
- 20 See 'China tops US over Japanese trade', BBC News Online, available at <<http://news.bbc.co.uk/2/hi/business/6590595.stm>>, accessed 16 January 2008; and Kent E. Calder, 'China and Japan's Simmering Rivalry', *Foreign Affairs*, vol. 85, no. 2 (March–April 2006), pp. 129–139 (pp. 131–132).
- 21 See Aaron L. Friedberg, 'Ripe for Peace: Prospects for Peace in a Multipolar Asia', *International Security*, vol. 18, no. 3, Winter 1993/1994, pp. 5–33; especially p. 7.
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- 23 Dibb, 'The Bear is Back', available at <<http://www.the-american-interest.com/ai2/article.cfm?Id=187&Mid=6>>, accessed 16 January 2008.
- 24 Dibb, 'The Bear is Back', available at <<http://www.the-american-interest.com/ai2/article.cfm?Id=187&Mid=6>>, accessed 16 January 2008.
- 25 Dibb, 'The Bear is Back', available at <<http://www.the-american-interest.com/ai2/article.cfm?Id=187&Mid=6>>, accessed 16 January 2008.
- 26 Russia's military expenditure sourced from *The Military Balance*, International Institute for Strategic Studies (IISS), Routledge, London, 2007, pp 190–91, 195.
- 27 Dibb, 'The Bear is Back', available at <<http://www.the-american-interest.com/ai2/article.cfm?Id=187&Mid=6>>, accessed 16 January 2008.
- 28 See 'Statement by Russia's Ministry of Foreign Affairs Regarding Suspension by Russian Federation of Treaty on Conventional Armed Forces in Europe (CFE Treaty)', 12 December 2007, available at <http://www.mid.ru/Brp_4.nsf/arh/10DA6DD509E4D164C32573AF004CC4BE?OpenDocument>, accessed 16 January 2008. For comments by General Nikolai Solovtsov on proposed US missile defence system, see Vladimir Isachenkov, 'Russian general warns Poland, Czech Republic over U.S. missile defense system', *Seattle Times*, available at <http://seattletimes.nwsourc.com/html/nationworld/2003579491_webmissiles19.html>, accessed 16 January 2008. On resumption of bomber patrols, see Luke Harding and Ewen MacAskill, 'Putin revives long-range bomber patrols', *Guardian*, 18 August 2007, available at <<http://www.guardian.co.uk/russia/article/0,,2151237,00.html>>, accessed 16 January 2008.
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