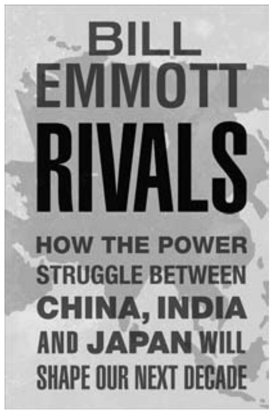
Rivals: How the Power Struggle Between China, India and Japan Will Shape Our Next Decade

Bill Emmott

A review essay by Andrew Shearer



Bill Emmott, editor of *The Economist* ,1993-2006, author of six books on Japan and also of *20:21 Vision - 20th-Century Lessons for the 21st Century* (Allen Lane, 2003), makes a compelling case that the future belongs to Asia, 'with a commensurate transfer of political power and intellectual influence away from the West'. But what sort of future? The nature of this historic shift will profoundly affect Australia. For a country whose destiny and national identity have hitherto been shaped by 'the tyranny of distance' (in Geoffrey Blainey's phrase), Australia will find itself suddenly much closer to the epicentre of global power.

Maximising the benefits and minimising the risks of this transition will be the most important challenge facing Australian foreign and strategic policy-makers over the next few decades. In raw economic terms, the opportunities for Australia are enormous. The subjects of Emmott's book, Japan, China and India are respectively our first, second and sixth largest export markets, among them consuming nearly $A65 billion worth of Australian merchandise.

Australian exports to China and India are growing rapidly and are unlikely to let up significantly for at least a decade or two; Japan too will remain a crucial economic partner for many years. Australia's economy is weathering the global credit crunch and the increasingly grim United States downturn largely much better than most thanks to some continued growth in China and India. Australia is not a central player in *Rivals*. But our burgeoning resources and energy trade, and growing strategic links with Asia, form a key subplot to a story Emmott tells clearly and persuasively. This is a tale of extraordinary economic development and integration which is lifting hundreds of millions of people out of poverty, creating a burgeoning regional middle class and binding the diverse countries of Asia in a web of ever closer trade and investment ties.

But it is also a tale of growing great-power competition and potential strategic instability. Narrating this development epic is arguably where Emmott is at his best. He brings to bear a strong political economy approach in the precise prose which is the hallmark of *The Economist*, the magazine Emmott edited for over a decade. At the core of the book he provides three balanced, well-researched essays on each country's economic and political development.

Unsurprisingly, China's rise is pivotal to Emmott's narrative: 'it forms the centrepiece around which everything else is taking shape'. Emmott rightly gives considerable attention to China's internal political and economic dynamics. He argues that China's economic development has been much less even than sanitised official figures would suggest and sees substantial economic challenges ahead, particularly resurgent inflation. Emmott judges this problem as so serious that it could force China's leaders to shift the focus of monetary policy away from maintaining a stable (and undervalued) currency to fighting inflation. The ensuing appreciation in China's currency would have profound implications for the structure of its manufactured export-led growth model as well as for Asia and the world.

It could also have a profound domestic political impact. As Emmott says, China is not an orderly place. Future economic change is more likely to be disorderly than previous reforms and will pose tougher political management challenges, perhaps as tough as any since the inflationary pressures of the 1980s which culminated in the tragic Tiananmen uprising and massacre. Environmental degradation is also feeding social unrest (the Lowy Institute recently initiated a major study into the dynamics of the environment in China). Ultimately, though, Emmott is a realist: China's political system may evolve gradually. But, absent some dramatic aberration, Western-style democracy is not about to break out any time soon.

He does not beat up the China threat, doubting the Chinese Government will follow the 'rich country, strong army' approach that led Japan disastrously astray in the 1930s. But nor is he naive. He expresses concern about the lack of transparency in Chinese defence planning and notes that the mistrust this breeds is echoed in growing concern around the world about foreign investment by Chinese state-owned companies, particularly in the resources sector. This issue is likely to become much bigger in Australia, with more than $A30 billion of Chinese applications already awaiting approval by the Foreign Investment Review Board.

Emmott is refreshingly frank about the regional consequences of China's authoritarian political system: 'The main problem in Asia is fear and suspicion of China. It is not going to go away.' Among the more suspicious are Japan, India and the United States. It is hard to say much new in the crowded field of literature on Asia, but one of the strengths of *Rivals* is that, while giving China prominence, it also brings India into the picture, treats Japan seriously and (despite a few fashionable anti-Bush asides) recognises that the US will continue to play a crucial stabilising role in Asia. Emmott makes clear that India must be an integral part of any coherent regional strategy. That is why for him the US civil nuclear bargain with India's reforming Prime Minister Manmohan Singh represents Bush's 'Nixon moment'. It is hard to imagine that the Australian Government will not come under renewed pressure to approve the sale of uranium to India, which makes impeccable environmental and economic sense and can be justified in light of India's excellent non-proliferation record if the Singh Government survives and the Nuclear Suppliers Group endorses the deal.

Sensibly, Emmott cautions against underestimating Japan's importance. He acknowledges Japan's ageing population and political sclerosis. But behind this facade he sees steady incremental progress and positive economic and political signs. Emmott has a good feel for Japan's reawakened strategic anxiety, underlining that concern about China's rise is a central feature of Japanese politics and policy. For these reasons he supports Japan's decision to reach out to new strategic partners including Australia (through the historic Joint Declaration on Security Co-operation signed by John Howard and Shinzo Abe in 2007), and India (through joint naval exercises also involving the US, Australia and Singapore, and the now-lapsed Quadrilateral Dialogue). After some early missteps in its bilateral diplomacy the Rudd Government seems to have largely signed on to this approach.

One of Emmott's insights is to puncture the notion that Asia's rise will necessarily be smooth and without competition or even conflict. He contrasts the rapid economic integration of Asia with its increasingly discordant great power politics. In Europe, post-war economic integration has been accompanied by gradual political convergence and pooling of sovereignty (although this process is not without limits, as Irish voters have highlighted). But at least so far, Asia's economics and politics have been 'separate planets': unprecedented economic integration in Asia occurs as the region comes more and more to resemble an arena for 19th century-style balance-of-power politics with China, Japan and India leading the jostling.

As Emmott states, 'Asia is a dangerous place ... ripe with flashpoints and danger zones.' But nor is conflict inevitable. Far from it: 'If that process of integration and economic growth continues, as it should, it will form the single biggest and most beneficial economic development in the twenty-first century, providing dynamism, trade, technological innovation and growth that will help us all.' Australia's international policies must remain geared to ensuring this is Asia's future while hedging skilfully against the risk of a more Hobbesian region. Achieving this difficult but crucially important balance will tax Kevin Rudd's diplomatic and strategic skills, and those of his successors. ◆

Bill Emmott, 'Rivals: How the Power Struggle Between China, India and Japan Will Shape Our Next Decade', Allen Lane, Harmondsworth UK, Casebound, 336pp., RRP $A49.95.

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