

## Reaching for a renaissance

So far the world has come to China, but now a rising China is beginning to reach out to the world, starting with Asia, says Dominic Ziegler (interviewed here). Is that a good thing?



Reuters

THE China story since Deng Xiaoping opened the country's doors three decades ago has by and large been one of discovery by the outside world. The discovery of cheap land and labour drew in more than \$500 billion of foreign money (mainly from Asia) that today drives China's export juggernaut; now foreign firms are crawling over China's domestic market, hard to crack but perhaps lucrative in places. Rather newer is the cultural discovery by the West and by the richer parts of Asia of a certain "China chic": the lush, epic cinematography of Zhang Yimou; the hyper-hip nightlife of a reborn Shanghai; and the Western infatuation with modern Chinese art, whose prices now leave a cynical smile on many a painter's face.

The world coming to China: the apogee will come when it hosts the Olympics next year in Beijing, a capital now dotted with signature buildings by the most fashionable architects rushing to get finished in time—from the Herzog & de Meuron stadium resembling a bird's nest to a titanium-and-glass opera house (the world's largest, naturally) by Paul Andreu.

But a more potent story that is only just starting to be articulated is that China is going out to the world. Indeed, China is rising—some say has already risen—to become the newest great power. Do not yet think of it as a global one. Even if commercial and diplomatic tentacles stretch increasingly round the world, the main site of China's power, for decades to come, will be in its Asian backyard.

Go back ten years and Chinese officials bristled at the notion of a rising power. They had surviving reserves of insecurity and cherished a historical sense of victimhood. After a long twilight, Deng, the paramount leader, had in February 1997 gone to meet Marx, leaving the Chinese Communist Party with unanswered questions about the stability of the "third-generation" succession, led by President Jiang Zemin. China was to get Hong Kong back in July 1997, yet even as one small territory was coming back, Taiwan, the great unfinished business of China's civil war, threatened to drift away in the direction of independence. China's bullying attempts to stop the drift—it had lobbed missiles into the seas around the island—had met with a show of American force when President Bill Clinton dispatched two aircraft-carrier groups. Hawkish Western circles were debating how best to "contain" China.

In this atmosphere China's ruling establishment—in many areas narrow, prickly and distrustful of the outside world—played down China's power. At the time an assistant foreign minister delivered a stinging lecture to your correspondent.

The Economist, he said, was "exaggerating China's economic development, leading people to conclude that the rise of China will inevitably unbalance the region. Such arguments don't hold water. China is not any kind of power. It is not at present. And it will not be one in future."

Times change. The favourite reading at the moment among a younger, more cosmopolitan generation of Chinese diplomats is "Power Shift", a collection of essays by mainly American-based academics. Its premise is that the tectonic plates that have defined Asia for the past half-century are moving, and that China is the chief agent of change as it resumes its historical role as Asia's central actor. Gone, largely, are China's fears of encirclement. "Impossible!" a senior Chinese diplomat laughs. "China is now far too powerful to be contained." One of Deng Xiaoping's tenets—that the country should, as a Chinese saying has it, disguise its ambition and hide its claws—seems to have been buried.

But what kind of power is China becoming? Some Western hawks find it unsettling that this is even being debated within China, but it is better to talk about it than not.

Only once a decade or so does a piece of television programming break through the variety shows and the propaganda to capture China's attention. A hugely popular 12-part series on China Central Television has just done so, showing how nine countries rose to prominence, beginning with Portugal in the 15th century and ending with the United States in the 20th. The conclusion, as befits state television, delivers an explicit political message, but one that may surprise outsiders. In finding plenty of lessons to learn from, the series attaches greater importance to social stability and peaceful foreign relations than to jingoism and brute military strength.

Indeed, a propos of the television series, the same senior Chinese diplomat mentioned earlier argued energetically that pacifist Japan's post-war rise was a model of good-neighbourliness that China itself could usefully emulate. That is intriguing. Much of the present bad blood between China and Japan has to do with China's constant harping on Japan's brutal deeds in the first half of the 20th century while glossing over its positive regional influence in the second half.

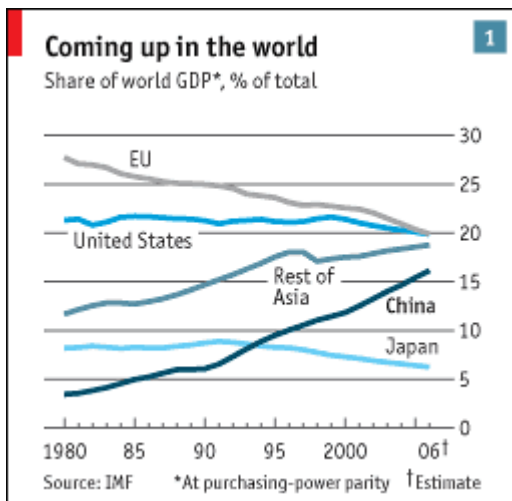
In a forthcoming book about China, David Lampton of the School of Advanced International Studies at Johns Hopkins University argues that nations define and achieve their goals using three means: coercion, material inducement or intellectual motivation. Put more bluntly, that means guns, money and ideas. How China blends the three, and how the rest of the world perceives the process, will more than anything shape the future course of Asia and beyond.

### **Velvet glove or mailed fist?**

America, more than most countries, sees Chinese power as coercive. In late February Vice-President Dick Cheney on a visit to Australia became the most senior administration official to express grave concern about China's military build-up. The military budget has been growing at double-digit rates for years, with an 18% rise planned for this year. The People's Liberation Army is coy in the extreme about its capabilities and intentions, but in January a missile had been sent into space to destroy an old weather satellite. China's military policies, Mr Cheney said, were at odds with the country's stated peaceful aims—suggesting perhaps that he did not really believe in those aims.

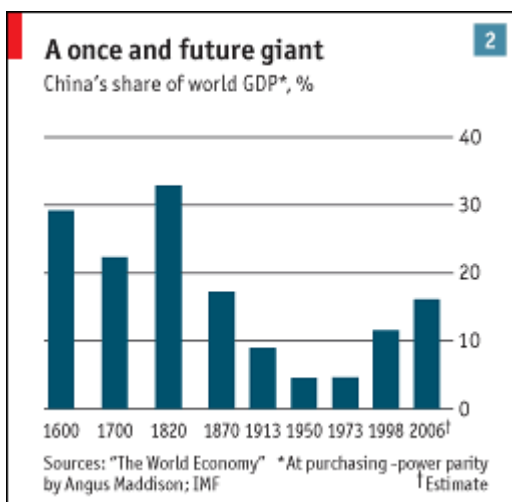
For now, though, it is clear that President Hu Jintao and the rest of the Chinese "fourth-generation" leadership are seeking to soothe neighbours—even Taiwan—by emphasising money and ideas over guns. As the next article will explain, this policy has had a transformational effect on China's relations in much of Asia, mostly for the better.

Yet suspicions remain. Mr Hu may have embraced the notion of China's "peaceful rise", first advanced by Chinese academics in 2003, yet even the phrase itself is unsettling. As Lee Kuan Yew, Singapore's former prime minister and now its "minister mentor", puts it: "'Peaceful rise' is a contradiction in terms. I told China's leaders that. I said: 'Why not call it a renaissance, a return to a golden age when poetry, painting, clothes, music and drama flourished?'"



China's economic rise is certainly impressive. The economy's growth—an average of 10% a year since 1990—is not really more remarkable than the earlier rise of other Asian economies, led by Japan, but there is a difference: the huge size of China's population, at 1.3 billion. In 2005 China overtook Japan in the volume of trade it conducts. Depending on how you measure size and guess at future growth rates, it may overtake both Germany and Japan within 15 years to become the world's second-biggest economy. Measured at purchasing-power parity, China's share of the world economy is already much closer to the rich countries' (see chart 1). But bear in mind that the average Chinese income remains low. If China is on its way to becoming a superpower, it will be the world's poorest one yet.

Opinion polls suggest that the vast majority of Chinese see their rise as nothing that should trouble others. For many of them it merely marks a return to historical norms. Angus Maddison, an economic historian at the University of Groningen, has estimated that between 1600 and the early 19th century China accounted for between a quarter and a third of global output (see chart 2). At that time China's agriculture was more advanced than the West's, its cities bigger and more literate and its ruling classes more meritocratic. The country had also proved itself capable of long-distance exploration by sea. Another historian, Niall Ferguson, reckons that what went so spectacularly wrong for China then is more remarkable and worthy of investigation than why things should now be going right.



But what is the nature of China's rising economic power now? There is room for misperceptions. Policymakers in Washington, DC, are alarmed by China's export strength and its ballooning trade surplus. China is lambasted for having mercantilist policies that artificially boost exports, depress the Chinese currency, restrict imports and widen America's trade and current-account deficits.

In several respects that view is wrong. With a trade-to-GDP ratio of around 70% and a sea of foreign investment, China is one of the world's most open economies. Much of the growth in America's bilateral deficit with China reflects a shift in low-cost manufacturing from other parts of Asia to the Chinese mainland. Certainly China's currency is undervalued, having followed the dollar down since 2002. But that is reinforcing inflationary pressures, particularly in wages, so China's advantage as always the lowest-cost producer can no longer be taken for granted.

America's emphasis on exports misses the point about China's economic power. That power comes not so much from being a seller of things but increasingly from being a buyer, an investor and a provider of aid, in Asia and beyond. One Chinese diplomat puts it thus: "Imports: that's real diplomacy, because it means you're attractive to others. It means other countries need you, not that you need them." This subtle understanding sets China in stark contrast to how Japan viewed the world during its post-war rise.

With this new kind of power, the economic and geopolitical sides are ever more intertwined. China's presence as a commercial force is rapidly being felt around the world, through its growing investments overseas and through an apparently insatiable hunger for resources to fuel the industrial revolution at home. The shock troops of this force are there to see in China's main airports: planeloads of oil-drillers, pipe-layers and construction workers, in company overalls and hard hats, off to work on oil rigs or build ports, highways or railways in South-East Asia, Africa, Latin America or the Middle East. Chinese workers are also moving into other countries in less formal ways. In the northern birch forests of Mongolia, unofficial groups of them are cutting down trees for chopsticks. In poor northern Laos, thousands of Chinese labourers have come across from neighbouring Yunnan to grow corn and sugarcane for export back to China; traditional slash-and-burn agriculture is giving way to polytunnels and large-scale market gardening.

This is not the first time that mainland Chinese have fanned out to work the world's natural riches. In the 19th century hundreds of thousands of coolies—indentured workers lured by Chinese and Western recruiters using a greater or lesser degree of deception—toiled in some of the world's worst hellholes: the guano deposits of Peru, the canebrakes of Cuba or the gold mines of South Africa. Now the Chinese are back in some of the same parts of the world. The difference this time is that Chinese capital, usually state-owned, stands behind them.

#### Trying to charm

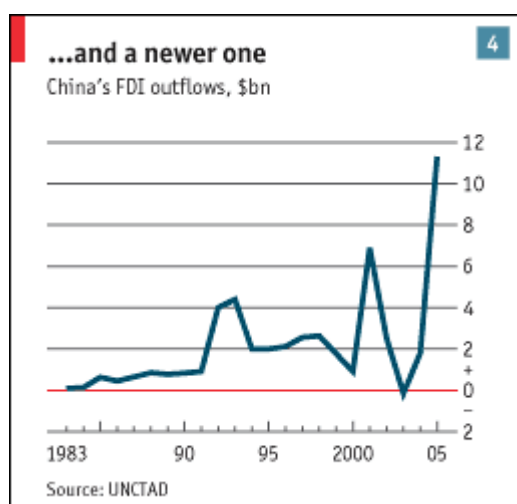
One of the advantages of state-led development is that China can entice countries with packages of corporate investment, cheap loans and other aid goodies. This way China has rapidly acquired interests and influence across swathes of South-East Asia, Africa and Central Asia. China's outward foreign direct investment more than quintupled in the first half of the decade, to \$11.3 billion in 2005, and will have risen sharply since. Once a big aid recipient, China hosted a summit of 48 African leaders in Beijing last November, promising \$5.5 billion in aid for Africa. According to a recent report by the Institute for Public Policy Research in London, China has become Africa's third-biggest trading partner after America and France.



China is also increasingly investing in the rich world. To some Americans, in particular, this is distasteful. In 2005, citing national-security concerns, Congress succeeded in thwarting the \$19 billion bid by China National Offshore Oil Corporation (CNOOC) for Unocal, an American oil major with reserves in Asia. Competing resource companies from the West often claim that Chinese companies outbid them in third markets, using cheap, state-subsidised funds. Yet in growing numbers of countries, rich and poor, the Chinese presence is welcomed for bringing jobs, cash and infrastructure.

Australia has received more Chinese investment than most Western countries, much of it in mining. It is criticised in America and Europe for cosying up to a dictatorship. "We're also strong on the human-rights front," an Australian diplomat says in defence. "But there's stuff to be done in the meantime." When a senior Canadian official is asked what conclusions Chinese resource companies should draw from CNOOC's experience, he replies instantly: "Come to Canada."

China's rise is a global phenomenon, but the rest of this special report will concentrate on its relations with Asia. After all, the region is on its doorstep. "If we can't get respect in Asia," says a Chinese policymaker, "we can't get on in the world. If we can't have a peaceful and prosperous backyard, then there can't be any rise of China."



In vying for influence in Asia, China has many competitors. They include India, rising in its idiosyncratic way; Japan, seeking a more robust foreign policy in the face of China's rise; Russia, a resource giant, even if a diplomatic minnow in Asia; the ten countries that make up the Association of South-East Asian Nations (ASEAN); and—still the top dog even if distracted in the Middle East—America.

It is in Asia that America risks falling prey to a final misperception. As Mr Lampton points out, just as Americans overstate China's export prowess as a source of economic power, so they underestimate China's intellectual, cultural and diplomatic influence. If policymakers view China's power "in substantially coercive terms when it is actually growing most rapidly in the economic and intellectual domains," he writes, "they will be playing the wrong game, on the wrong field, with the wrong team."

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