

## Can't buy me soft power

China's economic might is not doing much for its popularity elsewhere in Asia



THE tentacles of Chinese demand now reach into every corner of Asia. The incongruously lavish swallow-houses in remote Indonesian villages, supplying birds' nests for Chinese soups; the casinos of Singapore; the Indian poultry farms now finding a market for once-discarded chicken's feet; the vast mines ripping open the Australian Pilbara and the Mongolian Gobi. China matters to its region not just as a market but as exporter, investor, contractor and source of governmental largesse.

Yet China's economic power and the many positive ways its economy influences the region have not brought diplomatic advantage. Indeed, its regional relations are in a worse state than for two decades. With Japan they remain so fraught over the contested Diaoyu/Senkaku islands that armed conflict is a serious possibility. In South-East Asia, ties have deteriorated over disputes in the South China Sea. Myanmar, after two decades of intensifying friendship with China, is now tilting westwards to reduce its dependence. Relations with India remain marked by mutual distrust, despite a rapid rise in commercial links.

Part of the problem is the envious resentment perhaps inevitably felt for such an economic juggernaut. Part is the way China conducts its business: for example, the use on big building projects of large numbers of Chinese workers, often living segregated lives. Some of its businessmen, officials and tourists are earning an unfortunate reputation for high-handed arrogance. Mostly, however, the roots of China's unpopularity have little to do with economics, business or personal behaviour.

China is the biggest single source of imports for Australia, India, Indonesia, Japan, Malaysia, South Korea and many other countries. The enormous benefits this brings tend to be overlooked. You do not hear many people praising China for raising living standards by dragging down prices so former luxuries become affordable. Rather, Chinese imports attract criticism because of the perception of unfair, state-subsidised competition with local manufacturers.

China has not helped matters by proving willing to use trade as a political weapon. Its unannounced but effective suspension, at the height of an earlier Diaoyu/Senkaku crisis in

2010, of rare-earths exports to Japan prompted a new examination of the financial prospects of other rare-earth mines. The rekindling of the dispute late last year, accompanied by popular anti-Japanese protests, informal consumer boycotts, and harassment in the form of customs slowdowns, gave another push to the process of geographic diversification by Japanese manufacturers.

Nor does China's role as an importer win it universal gratitude. It is the biggest destination for exports from countries such as Australia, Indonesia, Japan, South Korea and Taiwan. Capital-goods makers cheer. But Chinese demand for commodities, and its investment in energy or mining projects, can be seen locally as a form of colonialism. Probably the most popular thing Myanmar's president, Thein Sein, ever did was to suspend a Chinese hydroelectric dam project in 2011. Almost the only unpopular thing Aung San Suu Kyi, the opposition leader, has ever done is to declare support for the continuation of a Chinese copper project.

Similarly, large-scale Chinese construction projects routinely fall under the suspicion that they are part of a grand strategy. The most obvious example is the "string of pearls"—or naval facilities—which Indian analysts see as a campaign of Chinese strategic encirclement around the Indian Ocean. It is true that China has been involved in building ports at Khaukphyu in Myanmar, Hambantota in Sri Lanka, Gwadar in Pakistan and Chittagong in Bangladesh. And China may indeed hope one day to use them as ports of call or even bases for its navy. For the time being, however, that is just speculation.

In its use of government aid, China's economic power also misfires badly. China provides the fuel that keeps North Korea going, and the food that saves some of its people from starvation. Yet it cannot stop its rulers pursuing a nuclear programme that is destabilising the region. Indeed, by fostering the North Korean regime's dependence, China has in effect facilitated its habitual diplomatic tactic of blackmail. Like a suicide-bomber at the door with his finger on the detonator, North Korea can dare China to cut off assistance, risking the regime's collapse or even the desperate use of the primitive nuclear arsenal.

Even what looks like evidence of China's successful use of aid to get its diplomatic way is ambiguous. Last July the Association of South-East Asian Nations (ASEAN) was shaken when, for the first time, its annual foreign-ministers' meeting failed to produce an agreed statement. Most members blamed the host, Cambodia, for doing China's bidding in blocking an attempt by Vietnam and the Philippines to include references to their disputes with China. In September China announced more than \$500m in soft loans to Cambodia, and the perception that China had bought Cambodia's co-operation has done it some damage. Even if it succeeded in its immediate diplomatic goal, and if, in the long run, China, contrary to its own propaganda, sees a weak, pliable ASEAN as in its interests, July's success came at a high cost in terms of the suspicion it provoked in the rest of the region.

### **The big country**

At bottom that suspicion is political rather than economic. It is the fear that, as a Chinese foreign minister put it in an unguarded moment in 2010, "China is a big country and other countries are small countries and that is just a fact." Its neighbours worry that China sees itself not just as a big economy, but as a political hegemon which will seek to curb their freedom of action. The Chinese government disavows any such ambitions, and even if it had them, might not be able to control its businesses as tightly as some Asians fear. But it is not doing a good job of convincing its neighbours that its interests are purely commercial.

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