

# China Papers

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PACIFIC PERSPECTIVES ON THE  
RISE OF CHINA

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## Abstract

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China's rise is changing the political and economic landscape of the Asia-Pacific region. Specific challenges face Oceania, not least in a re-balancing of the regional order. China's thirst for natural resources may bring economic benefits but will also require increased regional cohesion to ensure that such benefits are sustainable. As Michael Powles will argue in this seminar, engagement with China is the only sensible option, but the countries of Oceania will need to act cooperatively (as envisaged in the Pacific Plan) and develop an understanding of factors that will determine China's policies in the wider region.

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## About the Author

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Michael Powles has represented New Zealand overseas in several capacities, including Ambassador to the United Nations, Ambassador to China, Ambassador to Indonesia and High Commissioner to Fiji (and concurrently Kiribati, Nauru and Tuvalu). He is also a former Deputy Secretary for the Ministry of Foreign Affairs and Trade with responsibility for the South Pacific, North Asia, the United Nations, the Middle East and Africa. Mr Powles holds a Masters of Law from Victoria University. He was a Human Rights Commissioner from 2001 to 2005 and currently is a Senior Fellow with the New Zealand Centre for Strategic Studies, and an Adjunct Research Fellow with the Institute of International Studies, Fudan University, Shanghai.

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I should emphasise to you at the outset that I come to you as, at best, a quasi-academic; in relation to China, not so much a sinologist or China-watcher as a China-watcher-watcher. My strong belief, based on several years living in China, is that China's rise to great power status will not be short-lived and is likely to require significant adjustments on the part of New Zealand and the countries of Pacific Oceania. It will bring some serious challenges, several are already evident, but I will argue that it will also bring valuable opportunities.

There are few issues in the field of foreign relations today in which opposite views are held and advanced with such passion as the question of how China's rise will affect the rest of the world and how the world should react to it. In one camp, people believe, as did the old "China Friendship Societies" of the Cold War era, that China's coming deserves unreserved acclamation; in the other camp, people like the American Cold Warrior, Robert Kaplan, author of a book entitled *How We Would Fight China*, believe that China's coming should be feared and resisted where possible. He proposes such containment measures as creation of a *League of Democracies*, an idea taken on board by Senator John McCain in the course of the recent US presidential election campaign.

Frankly, I envy the certitude of those committed to either side. Rob Gifford is a journalist, a mandarin speaker who was the China correspondent for many years of NPR – America's *National Public Radio*. He lived in China for several years, travelled twice by road from one side of China to the other and wrote several books. In an interview about one of his books he admitted to occasionally being confused by China. He paused before adding: "And if you're not confused, then you simply haven't been paying attention." I'm afraid I have immensely more respect for an observer with this degree of modesty than for all those who believe they really know where China is going and why.

If we're not going to jump into one of the extremist ideological beds, there is no alternative but to examine the available evidence – and if it sometimes leaves us confused, so be it.

However, before we can have an informed perspective on China's rise and its likely impact, we do have to form judgements on some basic questions relating to the

sustainability of China's rise, whether it will be peaceful, and the kind of role it is likely to project in the Asia Pacific region and beyond.

## **First, is China's rise sustainable?**

Some find evidence that it is not sustainable in the **enormous environmental challenges** that China faces. The obstacles and challenges here are daunting. They include deteriorating air and water quality in many parts of the country which result in tragic human and expensive economic costs. If massive measures are not taken, disaster will surely be the result. Some observers argue that the central government in Beijing has too little power these days in the provinces to enforce strict environmental legislation. There's some point to this - China's whole economic reform process was based on a loosening of Beijing's planning controls. Others go further and argue democracy really needs to come first to empower necessary draconian measures to protect the environment.

There's some point to this, too. But there are grounds for hope in the intelligence and resources now being committed to meeting the environmental challenges. Indeed, some critics tend to forget how dreadful cities like Tokyo and London and especially perhaps Chicago were before they climbed back from the brink of widely predicted environmental disaster. In China today of course everything, good and bad, is happening much faster than it has elsewhere. In Shanghai and some other wealthy cities signs of improvement are already appearing. Fish are even being reintroduced into Suzhou Creek, previously a cesspool of filth and pollution.

China has also been hit hard by **the current recession**. Some say that with the growth rate dropping from double figures to six percent or less, the country's economy will be in deep trouble and that will lead to growing unemployment and quite likely social unrest. There's point to these concerns because the legitimacy of China's present government depends, more than anything else, on its ability to continue to ensure material progress for all, or most, Chinese. On the other hand, China holds trillions of dollars in foreign exchange - a valuable cushion if ever there was one. And at a conference here in this building less than two weeks ago, one of America's most respected sinologists, Professor Harry Harding, reminded participants of the proven resilience and adaptability of China's political system and its current leadership. China is unlikely to be hit as hard as the larger Western economies. Many expect a consequence to be that China will emerge from the

current recession in a stronger position relatively than its Western counterparts. The process of China's rise will be accelerated.

I believe the greatest **challenges to China's rise are social and political** rather than material and practical. They are certainly the most complex.

In 1993, just before I left a three-year assignment in Beijing, the late Bryce Harland, who had been New Zealand's first ambassador to China, came to stay for a few days. He spent some time walking around parts of Beijing. One evening he said, and it startled me so much I remember exactly how he put it: "These people are so cheerful, much, much more cheerful than they used to be. My heart bleeds for them." I asked why on earth, or something to that effect. Bryce replied, "They don't understand that disaster lies ahead." Bryce predicted rising expectations, material and political, that he believed the Communist Party would not be able to meet - with resulting disorder.

A decade or so later, a Chinese American writer, Gordon Chang, described similar apprehensions - and while I don't agree with his conclusion, I love the picture he paints:

"Mao regimented the Chinese people, oppressed them, clothed them in totalitarian garb, and denied them their individuality. Today, they may not be free, but they are assertive, dynamic, and sassy. A mall-shopping, Internet-connected, trend-crazy people, they are re-making their country at breakneck speed. Deprived for decades, they do not only want more, they want everything. Change of this sort is inherently destabilising, especially in a one-party state."

I well remember a pertinent conversation I had in about 1992. It was on a sightseeing boat one evening on the Huangpu River in Shanghai. A senior visiting NZ minister was being entertained by his Chinese host in another part of the boat. With our masters busily engaged, I was relaxing over a beer with a senior Chinese ambassador from their foreign ministry. The ambassador talked about the plans for a whole new modern city on the Pudong side of the river, plans, incidentally that have now been wholly implemented, with dazzling success. But, he said, some mornings he woke up depressed about China's future. Mao Zedong stopped the teaching of Confucian values. And now we've stopped the teaching of the values inherent in Maoism. Unlike your country with its Judeo-Christian traditions, we may be left with nothing. Materialism would be unrestrained. On better mornings, he said, I

hope that recent attempts to re-introduce the teaching of some Confucian principles in schools will provide some glue to hold society together. “But it will be touch and go”.

Many believe of course that China’s only hope, only logical course, is to adopt western-style democracy. One thing I think we can be pretty sure about is that that won’t happen. But I think we can be equally sure that, as China’s middle class grows and more people are well-educated, its political system will change and adapt just as its society is changing. The question is not so much what the precise outcome will be but whether popular aspirations will be adequately met. If they are not, the pessimism of Bryce Harland and of my Chinese ambassador friend on his bad mornings, will have been justified. If aspirations are met, continuing stability will allow increasing prosperity – and China’s rise will prove sustainable.

The cheerfulness, energy and optimism of the Chinese people make it difficult for anyone who has lived among them for any length of time to be pessimistic about the country’s future. And the hard evidence is marginally more encouraging than discouraging, although the key word here is marginally. Objective observers point to undoubted improvements in the quality of life of most Chinese. And this certainly goes well beyond material standards of living. Personal freedoms are undoubtedly on the rise. As a New York Times China expert has said, China is still not democratic but it is certainly no longer totalitarian. The legal system is improving, albeit slowly, with the principle of a truly independent judiciary still some way away. For human rights, the same thing applies.

About two years ago, the Law School at Shanghai’s Fudan University asked me to talk to some 60 graduate law students and their teachers about recent regional and international human rights developments. At the end, a very articulate young man said, in effect, that that was all very well but I had mentioned I had lived in China some 15 years previously but I hadn’t said anything about whether the state of human rights had changed significantly in that time. I pointed out that that wasn’t what I had been asked to talk about and generally tried to kick for touch. Clearly my kick didn’t find touch because this young man came back at me and eventually said “Well, if you won’t tell us what you think, shall I tell you what I think?” I grabbed at that of course and the young graduate then delivered a stinging criticism of the authorities’ failure to observe fundamental human rights, doing so in front of his teachers and the Dean of the Law School. At the end, I was at least able to say that while I was certainly in no position to argue with him, I could be clear about one

thing: fifteen years previously no graduate student at Fudan University would have spoken so critically of his government to a foreign visitor in front of his Dean and lecturers. I think what this anecdote suggests is broadly true in respect of human rights and the legal system – there is definite positive movement but it is glacially slow.

In other areas, change has come faster. There is increasing evidence of the government's determination to try to **satisfy popular aspirations**. Just two examples:

- Protests have begun to be tolerated against industrial developments in urban areas: examples include a petro-chemical plant in Xiamen and the Maglev extension in Shanghai. Similar protests have taken place in Chengdu and Guangzhou. Not so long ago, the police would have broken up such protests and the ringleaders at least would have been arrested. But not necessarily so now. Shanghai's mayor actually welcomed the protest, promised to take account of the views expressed and encouraged people to express their views in this way. Of course significant that these were middle class protesters. But all this was well-publicised in the Chinese media and there's no doubt it won't be confined to the middle class for long. (In both Xiamen and Guangzhou the original development plans were abandoned.)
- The one other example I would mention is the Increasing use of popular elections, both within the Communist Party and outside it. This includes village elections – so in fact a majority of Chinese have personal experience of elections – and some townships. And increasingly it is happening within the Party at senior levels. There is no doubt that there is a growing taste for contested elections. One reason the government welcomes it is the difficulty of governing China – it's good to have other people taking the rap ... Environment and corruption ... The mayor with eleven mistresses – the "Zipper Mayor" he was called in the local press – Beijing has an interest in keeping at arms length from some of this.

This background makes more understandable a startling poll result last year. In 2008 the internationally recognized **Pew Survey** revealed that China's population expressed the highest level of support for the direction in which their country was heading of the 24 countries surveyed, several of which were Western democracies.



So an objective look at the domestic situation within China reveals a complex mix of apparently self-contradictory elements. Yes, there are contested elections at some levels; but no, there is no overall democracy as we know it. Yes, there are improvements in human rights and the judicial system; but no, human rights are still frequently violated and there is still no independent judiciary. Yes, the government and party are becoming increasingly responsive to public opinion; but no, this is still effectively a one-party state.

If I had to try to **predict how things will turn out**, I would go with the cautious optimism of Nicholas Kristof, one of the New York Times' most experienced China-watchers:

"My premonition is that ferment in China will grow. ... [However] China will end this century as the world's most important country ... but after a wild ride."

This particular observer believes China's political scene has much in common with that of Taiwan when democracy, now well established, was first developing. This raises the realistic possibility that a firmly established rule of law in Hong Kong and a democratic Taiwan could be tails that wag the Chinese dog.

I should emphasise that **enormous uncertainties** remain. One I haven't touched on is the role of **nationalism** in influencing the policies China will pursue. For example, throughout its life China's Communist Party has encouraged bitter antipathy towards Japan, based on the "Nanjing Massacre" and the other atrocities that accompanied Japan's occupation of much of China before and during World War II. The Japanese of course have fuelled this by encouraging their own nationalism and by honouring their war criminals right to this day. A consequence of all this has been that when, in the last two or three years, leaders in Beijing and Tokyo have seemed at last to genuinely want an improved bilateral relationship, they have had to move at a glacial pace to avoid getting out ahead of their public opinion.

On the **international side**, and this nationalism caveat aside, China has so far demonstrated determination to act internationally within the international structures that were created in the 1940s by the victors of World War II. Some Americans have argued recently that as China moves gradually to superpower status, the United States should seek to preserve its own status by strengthening the

western-created international institutions and order in which the leadership role of the United States is pretty much enshrined. Unfortunately for the proponents of this argument, it comes a bit late. Just in the last two weeks there have been reports of China insisting on a leadership role in the multilateral financial institutions in return for its increased support for the hardest hit economies.

How then is this rising China specifically **affecting our part of the world?**

The most important question is really whether its intentions are benign or malign. In submissions to a parliamentary committee some months ago, two New Zealand academics spoke in terms that indicated strong suspicions about China's policies towards the southern Pacific region. One had earlier written an article headlined *Dragon in Paradise* and it was clear, ironically, that the dragon he had in mind was the aggressive beast St George of England had to slay rather than the more benign dragon of Chinese mythology. In addition a former professor at the University of the South Pacific has written powerfully of the threat he believes the region faces from expanding Chinese influence.

I rather prefer the view of a respected New Zealand sinologist (now unfortunately lured overseas) who dismisses any suggestion of malign intent, or any specific strategic objective in relation to the Pacific. He has written:

“Setting my analysis of China's expanding influence in the Pacific in the broad context of China's global diplomacy in the South, I argue that the pattern of China's international behavior in the Pacific, such as its assertive diplomacy to counter Taiwan's quest for international recognition, its economic diplomacy and its enhanced involvement with such regional organizations as the South Pacific Forum, is an integral part of its new global diplomacy. China's approach to the Pacific is no different from its broader diplomatic approach to other regions of the South such as Africa, Latin America and Southeast Asia.” [Prof Zhang Yongjin]

Much was made in 2006 of a new major Chinese aid commitment to Pacific Island countries, suggesting perhaps sinister intentions. In fact, China's Premier went on from Fiji where he had made the Pacific commitment, to Cambodia and other Southeast Asian states. He promised a great deal more on his next stop, Phnom Penh, to Cambodia alone, than to Pacific Oceania as a whole.

Frankly the Pacific Oceania region is not sufficiently important to China to warrant the devious designs on it seen by some commentators. Of course, as China's role and power increase, both globally and regionally, it will expect to be treated with respect by the Asia Pacific's smaller countries. The respected Australian academic Hugh White has described adjusting to the changing balance of power being the toughest challenge currently facing Asia Pacific countries. Pacific Oceania has been accustomed previously to treating Britain as the major outside power and then, in the 20<sup>th</sup> century, the United States. To the extent that regional governments and people have become accustomed to dealing with these English-speaking Western powers, the transition required as China achieves super-power status could be uncomfortable at times. Nor can there be any expectation that China will be content to operate within rules and institutions created effectively by the Western-dominated powers. But there is no evidence from China's conduct in other regions to suggest that it will expect, or even want, significant changes in a hurry. And in Pacific Oceania itself, when Premier Wen Jiabao paid a landmark visit in 2006, he went out of his way to emphasise that China recognised the rights of Island countries under international law, specifically the Law of the Sea Convention, to the marine resources of their exclusive economic zones. This commitment may prove more valuable to the countries of Pacific Oceania than all the aid China has promised.

### **China's economic drive**

There is of course the obvious point that China's rise has only been possible because of the availability of vast natural resources to drive its economy. In our part of the world, the greatest and most obvious beneficiary has been Australia, further underlining its "Lucky Country" status. (It is puzzling that despite the China expertise of Australia's prime minister and the enormous wealth that has come from mineral sales to China, there currently seems to be an upsurge in anti-Chinese feeling in that country.) New Zealand of course has led the way among OECD economies in negotiating a free trade agreement with China. Pacific Island countries have benefitted from Chinese economic assistance, although the "chequebook diplomacy" pursued by Taiwan and, to a lesser degree China in their pursuit of diplomatic recognition, has been demonstrably harmful in some Island countries and certainly contributed to instability in the Solomon Islands. (Fortunately, that competition for recognition has lapsed, with the election of a more pro-Beijing government in Taiwan last year.)

## **Criminal elements**

There has also been some harmful impact in Pacific Oceania through criminal elements from China and elsewhere in Asia. This has caused concern and that in turn has fed the fears that exist in some quarters about China's role in the region. (The record of Western confidence-tricksters in the Pacific is significant – but today seems conveniently forgotten. On my first visit to Tuvalu as NZ High Commissioner in 1980, I found that the only other occupants of the Funafuti hotel were members of a large Ku Klux Klan delegation from somewhere in the southern United States. They had come with an offer to invest all of Tuvalu's foreign reserves.) And so far as crime committed by Chinese interests in the Pacific is concerned, it seems to be assumed that if Beijing disapproved it could easily stop it. Unfortunately, Beijing has trouble enough enforcing its writ throughout China and controlling maverick businessmen operating overseas will never be easy.

## **Pacific governance and aid**

Policy makers in Australia and New Zealand also have a tricky problem arising from China's growing development assistance in Pacific Oceania. Whereas Australia and New Zealand impose conditions on their own development assistance in the Pacific, requiring compliance with conditions designed to promote good governance, China's global policy is never to impose conditions. (Unless possible recognition of Taiwan should be an issue.) It has been suggested that China is "undermining" Australian and New Zealand good governance efforts in the Pacific. Discussions with Beijing on this are said to be continuing.

## **The opportunities**

On the positive side, China's rise and, particularly, its thirst for mineral and other natural resources provide enormous opportunities for Pacific Oceania.

**Marine and seabed resources** are potentially very important to the Island countries of Pacific Oceania. Already, for some smaller Island countries, revenue from tuna boat licence fees is their largest source of foreign exchange; but this is likely to be dwarfed by the returns from future mineral exploitation.

The right of island states to these seabed resources (and to the fish in the seas above) derives from the UN Convention on the Law of the Sea of 1982 (or UNCLOS). The Island countries of the Pacific are proportionately the greatest beneficiaries of the Convention. The creation of Exclusive Economic Zones under UNCLOS has been likened to giving most countries additional provinces to manage and exploit. In the

case of Pacific Island countries these new resource-rich “provinces” are in most cases many times the size of existing land areas.

At present many Pacific Island countries are regarded as being comparatively resource-poor. This will change dramatically when the mineral resources of the seabed come to be mined. Just as Australia’s mineral wealth contributes to the notion of it as the “Lucky Country”, might the Pacific Island countries, today the subject of so much negative news, one day become known as the “Lucky Islands”?

Investigations have revealed quantities of valuable mineral deposits on the seabed within Papua New Guinea’s Economic Zone, high grade copper-gold-zinc-silver sulfide deposits on the seabed In Tonga’s Zone, rich manganese nodules on the seabed in the Cook Islands’ Zone, and positive indications within the Zones of the Solomon Islands, Kiribati, Tuvalu, Fiji and other Pacific states. New announcements are appearing every few months. The company most active in this field is Nautilus Minerals Inc of Canada. It told the Canadian and London stock exchanges on 17 September 2008 of “outstanding” new discoveries of “massive sulfide systems” by its exploration partner in Tongan waters. Nautilus would shortly begin its mining program (Nautilus Minerals 2008). This discovery follows similar finds in Papua New Guinea waters in 2007, following which its Chief Executive spoke of the prospects for his company having a “resource inventory across the Western Pacific”.

Canadian geologist, Dr Steven Scott, said over two years ago “We’re on the brink of deep ocean mining. ... Advances in marine geology and deep ocean technology have combined to make it realistic to go more than two kilometers underwater for gold and other minerals.” (Scott 2006). Even so, popular wisdom until very recently has been that it would be many years, decades perhaps, before it would be economic to extract these resources. China’s voracious thirst for minerals has changed that dramatically.

Some observers might question whether the Pacific Island countries could conceivably have the capacity to wield effective influence in this area with giants like China and Japan. The historical record suggests otherwise.

Their success in the **Law of the Sea negotiations** over rights to ocean and seabed resources was enormously successful. And on many other issues internationally, through their collective action or in cooperation with other like-minded states on

particular issues, the member countries of the Pacific Islands Forum have achieved considerable success. (I can testify to this personally, having participated with the Pacific Group at the United Nations for several years and chaired for some four years fisheries negotiations between Pacific countries and the world's major fishing countries.)

Fortunately, under the **Pacific Plan** on which they have agreed, governments of the region will take steps that will promote closer cooperation and, where appropriate, integration. From the outset, Pacific governments considered that the Pacific Plan could provide improved collective strength in dealing with the outside world. This will be essential in ensuring the sustainable exploitation of marine resources.

### **Tourism**

There are other examples, not least tourism. On the basis of exhaustive market research in China, Air New Zealand, with its direct flights to both Shanghai and Beijing, hopes to be able to carry escalating numbers of Chinese tourists to our part of the world.

Finally, Napoleon reportedly said "Let China sleep for when she wakes she will shake the world." Pacific countries could find, if they coordinate and cooperate appropriately together, perhaps a big if today, that China's waking could bring significant benefits.