

# Is the 21<sup>st</sup> Century going to be the Asian Century?

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## I.

For 500 years, Europe dominated the course of world history. The 19<sup>th</sup> century was the century of Europe, the twentieth became the American Century. Is the 21<sup>st</sup> century going to be the Asian Century?

The hypothesis that the world spirit, having wandered from the heartland of Asia via Greece, Rome and Northwestern Europe to America, would soon return to its point of departure, has long intrigued western minds. Karl Marx was fascinated by it. It inspired Oswald Spengler's gloomy vision of the *Decline of the West*. The British historian Arnold Toynbee was influenced by it as well. Nowadays it agitates all those Western apocalyptics who observe the awakening of Asia almost hysterically, considering its future paramouncy a forgone conclusion.

This attitude is a historical novelty. For thousands of years, the occident had regarded paralyzing passivity as the hallmark of the orient. To be true, Asia was the birthplace of the three Abrahamic religions. Epoch-making inventions and discoveries had reached the west from there: the wheel and the chariot, script and paper and printing, gunpowder and silk, the secrets of mathematics and medicine, the spices of India and the perfumes of Arabia. Art objects from China – *chinoiseries*, as they were known – and Japanese lacquerware were the rage of all European courts in the 18<sup>th</sup> century. Asian culture was widely appreciated by the educated classes. Curiosity about Asia was boundless.

But this was only one side of the coin. Simultaneously, Asia was seen as static, inert, immobile. Herder, Hegel and Marx saw statism, not dynamism as Asia's distinctive feature. So did Max Weber, who ascribed Asia's "lack of development" to the rigid adherence of Confucianism to tradition, the meek surrender of Daoism to inexorable fate, and the barren status-quo orientation of the Hindu caste system. Religious and economic rationality were incompatible, he argued. No one would have been more surprised than Weber by the stupendous progress Asia has made during the past four decades – the most impressive development miracle since the rise of Meiji Japan.

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As Max Weber penned his thoughts, the European powers were busy cutting up China like a ripe melon and dividing it amongst themselves – the last Asian country apart from Japan and Siam which they had not subjugated yet. In the early 16<sup>th</sup> century, Portuguese discoverers had first ventured into Asia, soon followed by the Dutch, the British and the Spaniards. The Portuguese raised their flag over Goa and Macao, the Dutch took over what is now Indonesia, the British hoisted the Union Jack over India, the Spaniards occupied the Philippines. Three hundred years later, the French moved into Indochina and the Germans assumed control over vast stretches of Oceania, while Russia expanded the realm of the tsar to the shores of the Pacific, annexing parts of Northern China and implanting itself in Manchuria and Korea in the process. The United States entered the Pacific arena in the second half of the 19th century: Commodore Perry's black ships anchored in Tokyo Bay in 1853, followed by Washington's open door policy regarding China and the U.S. conquest of the Philippines, heralded American domination of the Pacific a hundred years later.

Japan and China escaped European overlordship by insulating themselves against the outside world – 1639 the Japanese, 1757 the Chinese. They were, however, subjected to humiliating "unequal treaties" and forced to open up 200 years later. China was able to shake these servitudes off only during World War II; Japan soon smashed them by the sword. The Japanese warded off foreign domination by first reforming their country after western patterns and then copying what they found most impressive about the West: its expansive imperialism. It was only in the firestorms of Hiroshima and Nagasaki that Nippon's great power ambitions were reduced to ashes.

The defeat of Japan spelled the victory of Asia. Western colonialism did not long survive in the region. Successively, India and Pakistan, Indonesia, Malaysia (including Singapore), Indochina and the Philippines achieved their independence. The last vestiges of the old colonial grandeur were effaced in 1999, when Macao – two years after Hong Kong – returned to China.

## II.

Today, not quite a century after Max Weber's death, the West is nonplussed: Precisely in the region where the German sociologist made out the pervasive lack of development as the salient feature, the most impressive economic miracle in recent history has unfolded. The Asian-Pacific region has become a model of modern development dynamics.

Japan started first. In 1970, the Japanese GNP reached the level of the German gross national product. Subsequently, the economy took off meteorically. Within the lifespan of a single generation Japan rose to the rank of economic superpower. Soon it was the world's third largest trading nation. In 1980, it became the biggest automobile producer. Its gross domestic product rose from US\$ 196 billion to US\$ 4,670

billion in 2005, its per capita income from US\$ 1,700 to US\$ 44,340, its share in world export trade was 6.2 percent in 2004 (Germany: 10 percent). In one fell swoop, the first developing country became the most successful.

Japan did not stay alone for long. The "four little tigers" – South Korea, Taiwan, Hong Kong and Singapore – were the first to emulate the samurais in their dark business suits. Right on their heels, Malaysia, Thailand, Indonesia and in the end Vietnam embarked on modernization. Like a flight of wild geese Asia, following Japan, stormed into the future.

But that was not the end of it. In the late seventies, after the death of Mao Zedong and the end of the costly craze of the Cultural Revolution, Beijing's new strong man Deng Xiaoping pushed China onto the path of economic reform and opened the country to the world market. In just thirty years, the Chinese per capita income grew eightfold. About 300 million of the 1.3 billion Chinese worked their way up across the poverty line and into the middle class. One of the most backward, isolated and isolationist countries turned itself into the workshop of the world. Today, the number of Chinese industrial workers comes to 109 million – more than twice the number of the 53 million factory hands in all G-7 countries put together. With currency reserves totally US\$ 820 billion, China has almost caught up with Japan. Today it is the world's third largest exporter – behind the U.S. and Germany, but before Japan, which it overtook in 2005. Year after year, the Chinese economy grows by 8 to 9 percent, foreign trade – which meanwhile has reached a volume of more than US\$ 1,000 billion – by 15 percent.

No less impressive is the rise of India during the past fifteen years. For centuries, the outside world had seen India primarily as a land of myths and maharajas. During the Cold War, it was considered an uncertain customer, given the pro-Moscow tilt of its non-alignment posture. Economically, it was not seen as a valuable, let alone an indispensable partner, as its *swadeshi* philosophy, aimed at ensuring the country's autarky, all but ostracized foreign trade. It was only in 1991, in the wake of a grave economic and financial crisis, that the government decided to liberalize its economic system and open up to the world – thirteen years after Deng Xiaoping's China.

Since then, the Indian economy has changed beyond recognition. Some 150 to 200 million Indians are now counted as middle class. Overseas trade has grown manifold, although even now it is only 0.8 percent of world trade. The inflation rate dropped from 17 to below 6 percent. The growth rate has risen to impressive 6 to 7 percent. Foreign currency reserves have increased to approximately US\$ 180 billion. In the export markets of the world, India is making huge strides with its leather products, shoes, textiles, chemicals and generics. Its computer and software industry is on a fast-moving upward spiral. The brick country has become a click country. Indian IT enterprises have become the back-office of the world. In the same way in which European and American companies outsource production to China, they

outsource business processes like design, bookkeeping, auditing, legal work and call centers to India.

### III.

A hundred years ago, after the Boxer Rebellion in China and Japan's victory over Russia, a specter haunted the western world: the Yellow Peril. The term had been coined in the United States where fear was rampant (and fueled by the Hearst papers) over successive waves of Chinese immigrants. Then German Emperor William II. turned the phrase into a geopolitical battle-cry. A lurid cartoon circulating at the time underscored the point of the message. It showed a menacing airborne Buddha riding a dragon across Asia towards Europe, leaving behind a swathe of destruction. When – after the murder of Germany's envoy to Beijing – the *Kaiser* sent an expedition corps to China to put down the Boxer rebels, he dramatically conjured up the memory of Attila's Huns: "When you meet the enemy, you will beat him! No quarter will be given!"

A century later, the old specter once again seems to haunt many Westerners. As early as 1983 a French think tank had provocatively posed the question: "Can Europe survive the Pacific Century?" The author's main concern at the time was Japan, whose salesmen began to scare the European and American business community. That was only five years after China had embarked on Deng's reform course, and eight years before India started liberalizing and opening its economy and opening up to the world. Since then, however, the cometlike rise of China and India has given a much sharper edge to the old concerns.

"The Asian Challenge" was the title of a lecture which a senior member of the Planning Staff in Germany's Foreign Office gave at a recent German-American conference on Asia. Barely three weeks later, *DIE ZEIT*, Germany's leading weekly paper, splashed the title: "India and China: Assault from Asia" across its front page. The story was illustrated by a fearsome double-headed monster, half tiger, half dragon, whose scaly body entwined itself chokingly around the globe, while its sharp claws dug deep wounds into the soil of Europe.

The new Yellow Peril – or rather the Brown-Yellow Peril – has already been given a catchy name: Chindia, China plus India. The term stands for the two most populous nations of the world cooperating peacefully instead of clashing in unending rivalry, their economics complementary rather than competing bitterly, with China the workshop of the world and India the global service center.

Chindia: We haven't got there yet, quite apart from the fact that India has a respectable industrial basis and China is catching up in the IT field. But a beginning has been made, at least bilaterally. Ten years ago, trade between the two countries amounted to a meager US\$ 300 million only, it has risen to more than 10 billion and keeps rapidly increasing. Indian software companies are active in China; the Chinese sell electrical appliances and consumer electronics to India.

The economic dynamism of the two Asian demographic superpowers pushing for their place in the sun has created insecurity and anxiety in the West. In Europe and America alike, blue- and white-collar workers fear for their jobs, if the newly emerging countries put an end to the commercial supremacy of the old industrial states. Political leaders fear for their hold on power, because in many countries the unemployment figures stubbornly resist all job creation schemes. As the economic hegemony of the West is drawing to an end, apprehension is growing that the old Europe and America are going to wind up on the loser's side of globalization.

Everywhere the powers that be are trying to block the road for Chinese and Indian investors; the obstacles raised in the U.S. against the acquisition of the American oil company Unocal by the Chinese CNOOC, or in France against the takeover of the Luxembourg steel giant Arcelor by the Indian steel tycoon Lakshmi Mittal, are the first cases in point. All over the world, parliaments are tempted to protect domestic jobs from international competition and to take protectionist measures in order to prevent outsourcing or offshoring. "Economic patriotism" is a temptation to which not only French politicians like to yield. It poses a problem on the European as well as on the national level, and has a fair number of apologists within the European Commission.

#### **IV.**

There is no reason to wax hysterical. Three factors justify a more levelheaded assessment.

Factor No. 1: While some European and American jobs may be threatened, European and American consumers have profited immensely from goods produced cheaply in emerging Asia. Even their booming exports, like Japan's owe their competitiveness to sizeable inputs from Asia's up-and-coming nations. The West, if it would curtail or impede China's and India's market access, would not only hurt itself by risking the limitation of its own access to the giant Chinese and Indian markets. It would, by protecting its jobs, deprive its jobholders – in fact, all consumers – of the undeniable advantages globalization offers, first and foremost drastically reduced prices for a wide range of consumer goods: leather shoes and laptops, T-shirts and TV sets, toys and tools. One piece of information recently revealed by China's Minister of Foreign Trade highlights the underlying causal nexus: To be able to buy one Airbus, China has to sell 800 million shirts.

Factor No. 2: China and India are emerging economic powers, but they are still developing countries. The fortes of their economies conceal enormous social weaknesses. In China, between 150 and 200 million migrant workers roam the country in search of work. The gap between the cities and the countryside ("cities like Europe, the countryside like Africa") has reached dramatic dimensions; landreform progresses only sluggishly; the ailing state enterprises still account for one half of the

industrial production; many big banks are near-bankrupt; there is no social security to speak for the sick, the weak and the old.

The same goes for India. Notwithstanding the enormous progress it has made in the past fifteen years, it is still a backward country. Its economic infrastructure, despite valiant efforts, is as deficient as its social infrastructure. Energy supply is precarious. The road network, ports and airports, the public health system are in urgent need of modernization. Red tape has been cut down, but a surfeit of clearances and permits – the hallmark of the old *license raj* – continues to be the rule. Corruption, protectionist pressures by domestic competitors, the arbitrariness of local authorities are as prevalent in India as they are in China. Where Beijing is confronted with the challenge of an aging nation, India's problem is that of a very young population. Both countries have to create jobs for millions of young people entering the work process every year. For the rest, progress is impeded by the drawbacks of dictatorship in China and the innate shortcomings of democracy in India. Thus the two Asian countries are facing tremendous development challenges. They would harm their own interests if they ignored or circumvented the rules governing world trade. Aggressive commerce strategies would risk unleashing a powerful political backlash.

Factor No. 3: Asia's trees won't grow to the sky. Turning dreams into reality is not an easy exercise. Japan's example holds an important lesson. Circumstances may change; a seemingly irresistible momentum may suddenly lose its propelling force; the inability to reform in time and move on to new horizons can drastically diminish a nation's prospects. If the old industrial nations remain innovative and entrepreneurial, they have little reason to fear the rise of Chindia. They should instead engage China and India to make them responsible stakeholders of the international community.

## V.

Torn as it is between its greed for Asia's markets and its fear of Asia's export and job offensive, the West should not delude itself: The risks and dangers emanating from the region do not stem from economic rivalry; they spring from the most spectacular upheaval of the prevailing geopolitical power pattern since the United States and Japan entered the world stage a little over a hundred years ago. The economic rise of Asia's two great powers will inevitably have political consequences. A power shift from the West to the East is in the offing. A new world order is taking shape.

History teaches that emerging powers have always fought for their place in the sun. In one way or another, they have usually tried to overturn the existing status quo.

One question is whether China will become just a Japan writ large – economically a giant, politically a dwarf. In 5,000 years of recorded history, it was never part of an international system; it always was a system unto itself. It has never been an expansionist power but was satisfied if the adjacent countries submitted themselves sym-

bolically to the emperor, acknowledging his authority and paying tribute to him. How will the Chinese define their national interest in the future? What is their "grand design" – beyond defending their present borders – going to be? Will they bring about reunification with Taiwan by military force? Will they pursue an assertive, even aggressive policy in Asia to back up their territorial claims? Or will China, assured of its equal standing as a great power, practice moderation and restraint? It is too early to tell. Beijing promises peacefulness, but rearms massively. Clearly, the economic penetration of China's former tributary states is one of its objectives. Quite as obvious is the resolve of the leadership not to be kept permanently in second place by the United States. This confronts Washington with a difficult choice: Should it respond to China's rise as a strategic competitor with a policy of confrontation or would it be more advisable to contain China by tying it in – and down – through cooperation?

Another question refers to India. It has never been the India of Mahatma Gandhi. It did not bank on non-violence in its three wars with Pakistan, nor did it hesitate to intervene militarily in Bangla Desh, Sri Lanka and the Maldives. The starry-eyed foreign policy of the early days has long been replaced by hard-headed realism. Kashmir remains an unsolved problem and a dangerous powder keg. By acquiring an arsenal of nuclear weapons, India manifested its ambition to become a major actor on the world scene. No longer do its leaders rely exclusively on the power of argument; now they put just as much store by the argument of power. Manmohan Singh, the architect of Indian reforms in 1991 and presently its prime minister, often makes the point: "We have both in us, the tiger and the elephant".

Currently, there are many threats to peace originate in Asia. The region may be called Pacific, but that does not automatically make it peaceful. There are numerous stress-lines and fault-lines arising from conflicting claims and ambitions. Unresolved territorial issues stand between India and Pakistan, India and China, Vietnam and China, China and Russia, Russia and Japan. China's claim to the Paracel and Spratly Islands is a constant source of friction between Beijing and several South East Asian states. Beijing's resolve to bring Taiwan back into the realm of the Yellow Emperor poses a perennial risk of armed confrontation. The shadow of war, even nuclear war, hovers darkly over the Indian subcontinent. And while developments on the Korean peninsula occasionally inspire the hope that a peaceful resolution of the Korean Question might be in the offing, we have no way of telling how long the process of rapprochement may take, nor is there any guarantee that it will not derail.

Asia still has many potential flash-points. Korea, Taiwan and Kashmir may trigger off world crises. Of the four Asian nuclear powers, two – North Korea and Pakistan – are highly suspect nuclear proliferators and smugglers of missile technology. China's hatred for Japan, Japan's refusal to admit to its crimes in World War II reveal a dangerous chauvinism in both countries. At the same time, the growing Chi-

nese and Indian need for oil and raw materials creates new areas of friction with the West.

Moreover, looking at the grand picture, one cannot fail to notice that the balance of power is highly uncertain in the Asia-Pacific region. To this very day it is underpinned by a sizeable military presence of the United States. Will that be maintained for another half century – or are the Americans going to withdraw beyond the horizon? That is one worrying question. Another concern has to do with the appearance of altogether new problems such as energy security, food scarcity and disputes over pollution, water or mass migration.

Asia is singularly deficient in regional development. It lacks security structures that can effectively contain conflicts. The Asian Regional Forum, functioning on the consensus principle of "soft regionalism", is not enough. Even the OSCE, the Organization for Security and Cooperation in Europe, has more clout. But all suggestions to erect tighter structures have so far fallen on barren soil. An Organization for Security and Cooperation in Asia – an OSCA, patterned on the OSCE – is still a long way off. Of course, the argument is frequently heard that building strong institutions does not correspond to Asia's behavioral culture; its preference is for informal understandings rather than formal rules and for networks rather than institutions. The question is whether this approach suffices to dilute and defuse the potential conflicts of the future – the old conflicts that lay dormant while the Cold War lasted as well as the disputes arising from the divisive issues which will agitate us in tomorrow's world.

As they look at Asia, cool-headed Europeans are struck by the problems of the region but also by its promise. Furthermore, they realize that in this globalized world of ours there are no longer any zero-sum games in which one region gains when the other loses. The rise of Asia does not automatically spell the decline of Europe (or, for that matter, America). We all have our ups and downs. We suffer setbacks but bounce back. Asian superciliousness about "Eurosclerosis" is as misplaced as some Europeans' fixation on the Yellow Peril Syndrome. Meanwhile it has also become clear that democracy and human rights may be inimical to the despotism of corrupt elites but by no means contrary to Asian values. Obversely, Europeans begin to recognize that modern standards of decency – no unfair trade practices, no child labor, no social dumping – took a hundred years to carry the day in the Occident, and that Asia, so long as it moves in the right direction, is entitled to some Western patience. We all live in the same world. No one stands to prosper in an adversarial relationship.

"East is East, and West is West, and never the twain shall meet"? Subscribing to Rudyard Kipling's dire prediction would mean taking a Manichean view of history. Three centers of power will determine the course of the 21<sup>st</sup> century: Europe, America, Asia. Their relationship will not be troublefree, but they are not inexorable bound to clash. They will be rivals, yet they need not become adversaries. They can



be partners at the same time as they compete with each other. They can even become friends.

Confrontation is one option only. Convergence is the other, the better alternative.

The 21<sup>st</sup> century is still young. The Americans are hoping for a second American Century. But perhaps – given the rise of Asia, especially China – they will have to settle for an American Half Century. Only one thing is certain: The second awakening of China will bring about a power shift in the world.

For the Japanese, this shift raises the question how they are going to fit into the new Asian-Pacific power pattern. The Europeans face quite a different problem – one that has nothing with today's concerns. It is a demographic problem portending an upheaval of secular significance. In 1900, Europe accounted for 20 percent of the world's population. Today, this figure is down to 12 percent. By 2050 it will drop to seven, by the end of the century to four percent. This development will necessitate an agonizing reappraisal – a rethinking of Europe's role, its chances and prospects in a world where it is going to be numerically marginalized.