

## **Restless Giants**

### **2013 AIIA Qld Annual Lecture**

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Public narratives of the rise of Asia veer between euphoria (we'll all get rich) and alarm (the Asians are coming!)

These cartoonish alternatives are a commentary on the quality of our public discourse

And yet, a sober sense of curiosity and apprehension is not inappropriate at present

There is no doubt that a major, epochal change is occurring to our north

Asia's societies will be among the wealthiest and most powerful in the world for the first time since Australia's European settlement

And it is the firm hope of our political classes that this change will leave our world undisturbed, except to make us richer

In the words of former World Bank President Robert Zoellick, we hope that these richer, more powerful societies will become "responsible stakeholders" in the world order that already exists

In other words, we'd like them to fit in, to not rock the boat

My question to you is, how likely is it that a powerful China, India, Indonesia, Thailand, Iran will knuckle down and become "responsible stakeholders"?

To think about this, I like to use the parable of Daryl.

Lives in Logan, works as a cleaner at the Hyperdome.

Wife Debbie is a shrew, sons Shane and Kane hate him.

He's a member of the local football club but regarded as a loser

But Daryl has a plan. Quietly, in his spare time, he's learned to play the guitar.

He's saved up and bought a good guitar. He becomes better and better.

He wins Australian Idol and lands a big recording deal.

His first album is a hit. He makes millions.

How likely is it that he'll stay working at the Hyperdome?

How likely is it that he'll stay with Debbie, or that Shane and Kane will treat him the same?

Or that he'll still be treated like a pariah at the football club?

Or that he'll even stay in the football club?

How will he feel about all the social rules and roles and expectations that he's lived with all these years?

Will he feel invested in them and want to use his new fame and wealth to bolster them?

Or will he be hostile? Will he take pleasure in flouting them?

Parable or not, the story of Daryl tells us one clear thing.

Wealth and power changes people.

They change their perceptions of who they are and where they fit.

Their expectations of how they should be treated by others.

Their beliefs in the rules of society – which apply to them, and which they want to change.

If wealth and power changes people, then surely it must change nations.

Especially so, given the forces of nationalism, political contestation, media commentary and now social media

How likely is it that Asia's rising powers, newly wealthy and powerful thanks to their own graft and ingenuity, will meekly become responsible stakeholders in the international order they had to struggle against to succeed?

Or will their rapid enrichment and empowerment have changed their sense of their own worth, and their sense of the dominance of the west?

Will they choose to push back against the inequalities, exclusions and injustices they've had to endure for decades?

The answers to these questions are perhaps the most important Australia faces in the 21st century.

If there is one consistent theme that runs through the past century of Australian foreign policy, it is that Australia has always worked to build strong international institutions and laws

For a small wealthy isolated country, with no natural protectors close by, a forest of international institutions that tame the law of the jungle is basic to national survival

We've been lucky on two counts: the system of global laws, norms and institutions that have evolved over the past two centuries have been designed and championed by the countries in the world that are most like us.

Think about the dominant institutions that knit the world together.

From parliamentary bodies like the UN, based on one-state one-vote

To a body of international law that draws on the common law tradition

To the English language as the global lingua franca

To systems of international property rights and contract enforcement

It couldn't have been more congenial to our interests if we'd designed it ourselves

This leads to the second sense in which we've been lucky.

Because we so instinctively understand international norms, laws and institutions, we've been able to be highly effective at working them to our interests

We've been able to shape them to our advantage repeatedly, and when we haven't we've either negotiated caveats for ourselves or simply gone out and proposed new institutions

We've become so used to this world that we've come to take it for granted

We tend to think this is the only way the world can logically be ordered

But here's the irony of the Asian century for Australia

The rise of Asia which has so enriched us has also created to our north a collection of restless giants: countries whose rapid enrichment and empowerment has changed their sense of themselves and their place in the world

And makes them more than likely to want to change certain aspects of how the world is ordered

If they do, the world order with which we've become so comfortable, and within which we've been so influential, is about to change

If it is about to change, then surely it's of supreme national importance to think about how it will change

Now the standard response to these questions is to observe that Asia's rising powers have done very well out of the world order as it is, so why would they want to change it?

That's a very wealthy, self-satisfied perspective, and not one that's particularly prevalent in Asian countries.

From that perspective, even though they've been successful, the world hasn't done them any favours.

They've had to work hard, force their ways in, jump through all sorts of hoops to get where they have

While we look up at Asia and see the inexorable rise of these industrial powerhouses, Asian societies look at the world and see a system designed to favour the wealthy, the stable, the technologically advanced, the western ... the white

These might be institutions that are still overwhelmingly dominated by western states

Or standards of behaviour stitched up at a time when Asian countries had no voice

Or tier one energy and mineral assets controlled by western interests, leaving the lower quality ones to the newcomers

Or the fact that almost 80% of the tenfold increase in global investment since 1990 has been made by a small number of western global brands that are able to drive cut-throat production among their suppliers

There's a moral angle here too

However successful or dynamic they are, Asian societies are still held to account by standards they've had no role in formulating

So even if the current rules of the road have allowed them to prosper, not many Asian societies are heavily invested in them, or feel that even now the world is a fair place - or even particularly sympathetic to their interests

But there are even more pressing reasons why Asia's giants are restless with the world as they see it

Arguably the biggest change to have occurred to Asian societies has been the rapid rise in their connectedness with, and dependence on, the outside world

Connectedness has been part of a Faustian bargain made by Asia's giants.

In order to get rich, they've had to become more dependent on the outside world - for energy, minerals, markets and components - than ever before

And this has happened in the last 20 years

Over centuries of history, many of these societies haven't needed the outside world very much

Mughal India, Qing Dynasty China, the Ottoman empire were internally rich and sophisticated; they didn't need much from the outside world.

Later, post-independence states built systems of import-substituting industries to avoid exploitation by global capitalism

But one by one, they realised that the price of independence was underperformance

And in embracing connectedness with the world as the path to prosperity, they have greatly increased their sense of vulnerability

Think of India's humiliation in 1991 when it had to airlift much of its gold reserves to London to underwrite an IMF assistance package

Or the gut-wrenching turmoil of the Asian financial crisis, which wiped out a generation of wealth creation in Korea and much of Southeast Asia

Or the fact that the oil imports that will comprise over 60% of China's oil consumption by 2030 are shipped via routes patrolled by the US navy

To put it succinctly, connectedness with the outside world increases the risk of destabilising turbulence in Asian societies

This turbulence is both material, threatening emerging economies' processes of supply, accumulation, and exchange;

And it's also moral, introducing new, unsettling, challenging expectations and tastes into rapidly changing societies

Now to us, this type of turbulence doesn't seem like such a big deal.

After all, we've spent most of the past three decades opening our economy and society to the competition and turbulence of the global market

But different societies see risks differently.

What is ignored by one society is deeply worrying to others

Partly what separates us from many Asian societies in our perceptions of risks is our different conceptions of history

Western societies tend to see history as a linear process, a progressive improvement in social harmony, justice, productivity, technological sophistication; chaos and disorder are ever-receding memories and possibilities

Most Asian societies, on the other hand, tend to view history as a cyclical process, where every rise in power and wealth will be followed by decline and disintegration; chaos and disorder are always an immanent possibility

Asian historical imaginations look at the past as a series of cycles: the rise of productive, powerful and virtuous empires or kingdoms, followed by decline spurred by crises of moral authority, internal disorder and international attack

It's bred a particular sensitivity to externally generated instability and turbulence; the societies of Japan, Korea and China regularly would shut out external influences when they were seen to become dangerously disruptive to internal order

So how do Asian societies respond to their Faustian bargain? How do they continue to prosper while reducing the risks of instability that connectedness brings?

There seem to be three options.

The first is to change their societies so that they are less threatened by turbulence.

The second is to shut out the world - end connectedness.

The third is to intervene in the world to try to mitigate the turbulence that they fear

The first two are not really options: both threaten major social dislocation and the chaos they fear

That leaves the third: to use their new wealth and power to try to change those elements of the world they find most threatening

There's an additional incentive in trying to change the world around them also

if the cycle of history is going to turn, how can they best use their time of wealth and power to postpone the turning of history's wheel, and to minimise the damage when it does turn

If we look at the world through this framework, some of the recent tensions in our region start to become more explicable

There are four vectors of turbulence that worry Asia's restless giants

The first are territorial settlements, a factor that makes this region the home to most of the world's unresolved territorial disputes

Be it China's unhappiness about Taiwan, or India's about Pakistan, problematic territorial settlements are the source of ongoing cause of challenge and instability

Less specific territorial arrangements, such as the law of the sea, give access to powerful competitors along the coasts of Asia's giants

The second vector is access

Many of Asia's societies are watching as they become addicted to external supplies of energy and minerals that could be manipulated by rivals or market forces to cause them great problems

The third vector is status.

One thing common among Asian societies is their fundamentally hierarchic nature

This is true of both domestic and international expectations

Or to be more specific, Asia's restless giants expect deference from those societies they consider smaller or more inferior, but to be treated as equals by those richer and stronger than them

Smaller countries that do not show sufficient deference are seen as making mischief, and stirring up destabilising nationalism

The fourth vector is normative

The tendency to see the most advanced ideas and standards in the world as western, and therefore those of Asia as lacking or at least lagging

Such normative dissonance challenges the legitimacy of both political and social orders in Asia's restless giants

And so the urge to control these destabilising vectors is a powerful one.

What types of challenge to the current world order should we be looking for?

Well, it won't be a full-on Communist alternative world order vision

There are four lines of challenge that we should watch for

The first is to push out effective borders, build buffer zones, eliminate dangerous vulnerabilities

The disputes in the South and East China Seas, in the Bay of Bengal are not about resources or fisheries - they're about building a different territorial order

The second challenge is to ensure access and stabilise connectivities

Here I'd list the campaign to buy energy and minerals assets and agricultural land; I'd also look at stand-offs between Google and the Chinese government in these terms

The third challenge is to ensure deference

To trade with smaller countries economic integration for acknowledgement of leadership and deference to larger states' wishes

The fourth challenge is to challenge the universalism of global norms

To assert the right of different countries and cultures to set their own normative standards

Each of these: territory, access, deference and universalism is a major challenge to the world as we know it.

What should we do about this?

To my mind, resistance is futile. We need to accept that Asia's restless giants will not become responsible stakeholders; they will change the way the world works

Our response should be pragmatic - how do we avoid the worst possible outcome and build towards the best possible outcome?

The biggest threat is that the world fragments into partly separate but partly overlapping systems of institutions, preferences and norms



The best way forward is to acknowledge that institutions and laws will change, but to work to ensure that the interests of all are accommodated to the best extent possible

We should acknowledge Asia's giants' lack of investment in the current system as well as their sense of vulnerability to turbulence

This requires sustained engagement and careful management

This is the real challenge of the Asian century