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## China's 'New Era' Vision: Potential for Big-power Conflicts in Asia

*During the 19<sup>th</sup> National Congress of the ruling Communist Party of China in October 2017, Chinese President Xi Jinping announced a 'new era' for China and for the world. The announcement seems to reflect China's emerging confidence in its capability to reshape the regional and global geopolitics on its own terms. This paper argues that, in view of the evolving power structure in the Indo-Pacific region, it is probably premature to make that assumption. China's bid to increase its influence in the Asian region is likely to exacerbate existing threat perceptions and may lead to the formation of informal coalitions to balance China's influence in Asia. This could lead to heightened security dilemmas and possibly big-power conflicts in Asia.*

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Chinese President Xi Jinping seems to be the 'man of his times'. In 2013, when he was elevated to the leadership position in his country, China was already the second largest economy in the world and had just launched an aircraft carrier as a symbol of confidence in its increasing military capability. By the time Xi became the President of China, there was a conviction and consensus among the elite party cadres that corruption was threatening the legitimacy of the

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party to rule China, and crony capitalism was threatening the welfare of the people.<sup>2</sup> By going against corruption and crony capitalism in the Chinese system, Xi earned the support of the Communist Party of China (CPC) as well as the common people. He was also bold enough to launch an ambitious new project to link the Chinese economy with the world called the Belt and Road Initiative (BRI) which, if successful, would reshape the global economy with China as its centre. Xi also took steps to strengthen Chinese sovereignty claims in the South China Sea, such as building and militarising artificial islands – this gave more credence to him being a strong leader.

With the 19<sup>th</sup> Communist Party Congress, Xi has further consolidated his power. He is likely to build his legacy through the BRI. China will also enhance its power projection in its Asian periphery, and it is likely be less flexible in dealing with neighbouring countries when it comes to boundary issues and sovereignty claims. These developments are important to the countries in the Chinese periphery, in particular, and the world, in general, as they will influence China's approach to both.

## **The Confidence Factor**

There is an increasing rhetoric among Chinese foreign policy experts about incorporating Xi's theory of four confidences into the Chinese foreign policy and the usual emphasis on diplomacy with Chinese characteristics.<sup>3</sup> Xi's 'new era' also follows the normal Chinese expression about China's diplomacy, according to the official interpretation of the New Era of Chinese diplomacy.

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<sup>2</sup> One example of this was the 2008 milk scandal, which created mistrust among Chinese citizens about the Chinese food industry. The impact of this scandal was deep because it affected the two most important factors important to the people – their offspring and food. This was even more so important, given that China implemented its single-child policy in 2008. For details of the scandal, see Yanzhong Huang, "The 2008 Milk Scandal Revisited", *Forbes Asia*, 16 July 2014. <https://www.forbes.com/sites/yanzhonghuang/2014/07/16/the-2008-milk-scandal-revisited/#38dda6404105>. Accessed on 25 October 2017; and "China dairy products found tainted with melamine", *BBC*, 9 July 2010. <http://www.bbc.com/news/10565838>. Accessed on 24 October 2017.

<sup>3</sup> The four confidences refer to the confidence in the CPC's path, the CPC's theory, China's current political system and China's culture.

*“Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and holding high the banner of peace, development and win-win cooperation, major country diplomacy with Chinese characteristics for a new era will follow our foreign policy’s purpose of upholding world peace and promoting common development, steadfastly develop friendly cooperation with other countries on the basis of the Five Principles of Peaceful Coexistence, advance a new type of international relations featuring mutual respect, fairness and justice and win-win cooperation and build a community of shared future for mankind in a concerted effort with other countries so as to build an open, inclusive, clean and beautiful world of lasting peace, universal security and common prosperity.”<sup>4</sup>*

What does China mean by diplomacy with Chinese characteristics? Basically, it means that China will be guided by its own political system and development model. It will not follow the western model of diplomacy. One element of Chinese diplomacy is the provision of foreign investments without any strings attached. However, such diplomacy also emphasises the provision of aid and assisting in the development, security and stability of the partner country. Chinese diplomacy also demands an unwavering support for the CPC leadership and socialism with Chinese characteristics. It also emphasises the five principles of peaceful coexistence and non-interference in the internal affairs of the other countries. According to one Chinese expert, since the 18<sup>th</sup> party congress, Xi has been emphasising the idea of cultural confidence, which translated means having confidence in the values of the Chinese traditional culture. This confidence is considered the foundation for the current path of the Chinese government. It is also taken to mean having confidence in the theoretical foundation of the path (the theory of socialism with Chinese characteristics), and having confidence in the current political system.<sup>5</sup>

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<sup>4</sup> Foreign Ministry Spokesperson Geng Shuang’s Regular Press Conference on 25 October 2017, Ministry of Foreign Affairs of the People’s Republic of China, 25 October 2017, [http://www.fmprc.gov.cn/mfa\\_eng/xwfw\\_665399/s2510\\_665401/t1504563.shtml](http://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/t1504563.shtml). Accessed on 26 October 2017.

<sup>5</sup> “Shijiu Da ni zui guanxin Shenme? Tamen zhema shuo” 十九大你最关心什么？他们这么说 [What issues you care about most during the 19th National Congress of the Communist Party of China? They say that...], Zhong yangren min guang bo dian tai 中央人民广播电台, 17 October 2017, [http://news.cnr.cn/dj/20171017/t20171017\\_523990538\\_1.shtml](http://news.cnr.cn/dj/20171017/t20171017_523990538_1.shtml). Accessed on 23 October 2017.

In the last few years, the Chinese government's emphasis on great power diplomacy with Chinese characteristics has increased.<sup>6</sup> One of the characteristics of this great power diplomacy, according to Chinese experts, is the belief in harmony in diversity. The key point is that China's great power diplomacy will be different from that taken by the traditional western powers – it is a path which China took to evolve from a 'developing great power' to 'a regional great power' as well as the path it would like to take to becoming a 'global great power'. However, it is yet to be seen if China's great power diplomacy will be different from that of the great western powers.<sup>7</sup>

## The Global Scenario

The current global system has serious challenges. Europe is facing slow and stagnant growth, compounded by the issue of Brexit. Immigration from war-torn countries in the Middle East and Africa is fuelling the emergence of European right-wing nationalism.<sup>8</sup> The European countries are also increasingly pursuing independent nationalistic policies, threatening the unity of the European Union (EU).<sup>9</sup>

The United States (US), though still the most powerful country in the world in terms of economic and military power, and in science and technology, faces a crisis of legitimacy with regard to its global leadership. The rise of racism and the xenophobic nationalist rhetoric in the US have led to scepticism among the other countries about the progressive values of the American administration. There are also conflicting and contradictory signals from an

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<sup>6</sup> “Xi Jinping: Da guo yi wei zhe geng da ze ren” 习近平：大国意味着更大责任，而非更大垄断 [Xi Jinping: Great Power means great responsibility, not bigger monopolies], *Xinhua Wang* 新华网, 28 March 2015. [http://news.xinhuanet.com/fortune/2015-03/28/c\\_127631629.htm](http://news.xinhuanet.com/fortune/2015-03/28/c_127631629.htm). Accessed on 24 October 2017.

<sup>7</sup> Wang Yiwei 王义桅, “Zhong guo te se da guo wai jiao de nei han yu dan dang” 中国特色大国外交的内涵与担当 [The inner essence of the Great Power Diplomacy with Chinese Characteristics], *QiushiWang* 求是网, 15 August 2017. [http://www.qstheory.cn/wp/2017-08/15/c\\_1121487783.htm](http://www.qstheory.cn/wp/2017-08/15/c_1121487783.htm). Accessed on 24 October 2017.

<sup>8</sup> “In Europe, nationalism rising”, Christina Pazzanese, *Harvard Gazette*, 27 February 2017, <https://news.harvard.edu/gazette/story/2017/02/in-europe-nationalisms-rising/>. Accessed on 24 October 2017.

<sup>9</sup> “IMF Sees Subdued Global Growth, Warns Economic Stagnation Could Fuel Protectionist Calls”, *IMF*, 4 October 2016. <http://www.imf.org/en/News/Articles/2016/10/03/AM2016-NA100416-WEO>. Accessed on 24 October 2017.

increasingly isolationist America, resulting in many of its allies, such as Japan and South Korea, doubting the US' commitments towards the alliance partners.<sup>10</sup>

The American policy of spreading democracy, which led to its support of regime change in Iraq, Libya and Syria, resulted in disastrous consequences in terms of human casualties and contributed to the rise of the Islamic State. This, in turn, resulted in massive refugee migration to Europe and an increase in the radicalisation of the Islamic groups all over the world. The US-led occupation of Afghanistan has become a war with no end.<sup>11</sup> The Russian economy is stagnant and still reeling under the difficulties created by the drop in oil and commodity prices. The Japanese economy is declining, with its industry mired in scandals. The Indian economy has lost some momentum, and prospects for reforms and growth look bleak.

In contrast to the penchant of the US for military intervention, China is seen as a non-interfering country – happy and confident, with a different value system, a different political system, and following a different economic model of development. In contrast to the US President Donald Trump's anti-climate change policies, as well as trade protectionism threats, China has projected itself as the free-trade advocate and supporter of positive policies on climate change issues.<sup>12</sup> The 19<sup>th</sup> Communist Party Congress emphasised a new type of great power diplomacy with Chinese characteristics. The implication of this is that China will try to create institutions and initiatives with less western characteristics. Examples include the Asian Infrastructure Investment Bank and the BRI. In the near future, there will be two coexisting systems – one western-dominated and led, the other China-dominated and led.

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<sup>10</sup> “How State Dept. uncertainty could erode US foreign policy”, Jennifer Strong, *PRI*, 5 April 2017, <https://www.pri.org/stories/2017-04-05/price-us-could-pay-uncertainty-state-dept>. Accessed on 24 October 2017); “Uncertainty over Donald Trump's foreign Policy Risks Global Instability”, Max Fisher, *New York Times*, 5 April 2017. <https://www.nytimes.com/2016/11/10/world/americas/donald-trump-foreign-policy.html>. Accessed on 24 October 2017; “Donald Trump's Foreign Policy Stances Sow Uncertainty”, Carol E Lee and Damian Paletta, *Wall Street Journal*, 10 November 2016. <https://www.wsj.com/articles/donald-trumps-foreign-policy-stances-sow-uncertainty-1478790542>. Accessed on 24 October 2017.

<sup>11</sup> “This US Military Officer Explains Why America's Middle East Wars Have Been Utter Failures”, Danny Sjrursen, *The Nation*, 21 February 2017. <https://www.thenation.com/article/a-us-military-officer-explains-why-americas-wars-in-the-middle-east-have-been-utter-failures/>. Accessed on 24 October 2017.

<sup>12</sup> “China's Xi positions himself as free trade and climate champion”, James Griffiths *CNN*, 15 May 2017. <http://edition.cnn.com/2017/05/15/asia/china-free-trade-protectionism-trump/index.html>. Accessed on 24 October 2017.

The changing global landscape would have regional ramifications. It could see China integrating the Asian region into its economy; with China at its centre. Such a scenario would have significant implications for the South Asian region.

## Implications for South Asia

In South Asia, the pivot of the Chinese strategy is the China Pakistan Economic Corridor (CPEC). China is placing a huge bet on this high-risk investment state. It is a long-term investment, aimed at counter-balancing both India and the US in the region. The Pakistanis are one of the most anti-American groups in the world – 59 per cent of Pakistanis see the US as an enemy.<sup>13</sup> Such a perception of the US is rivalled only by the Pakistanis’ view on India, with 74 per cent viewing India as a threat.<sup>14</sup> As such, an economically-strong Pakistan would greatly benefit Beijing in its power projection in the region. It would tie India down in the region, and any aspirations it may have of becoming a global or even a regional power would face great challenges.

**Table 1: Pakistan’s Favourable Opinion towards China and the United States**

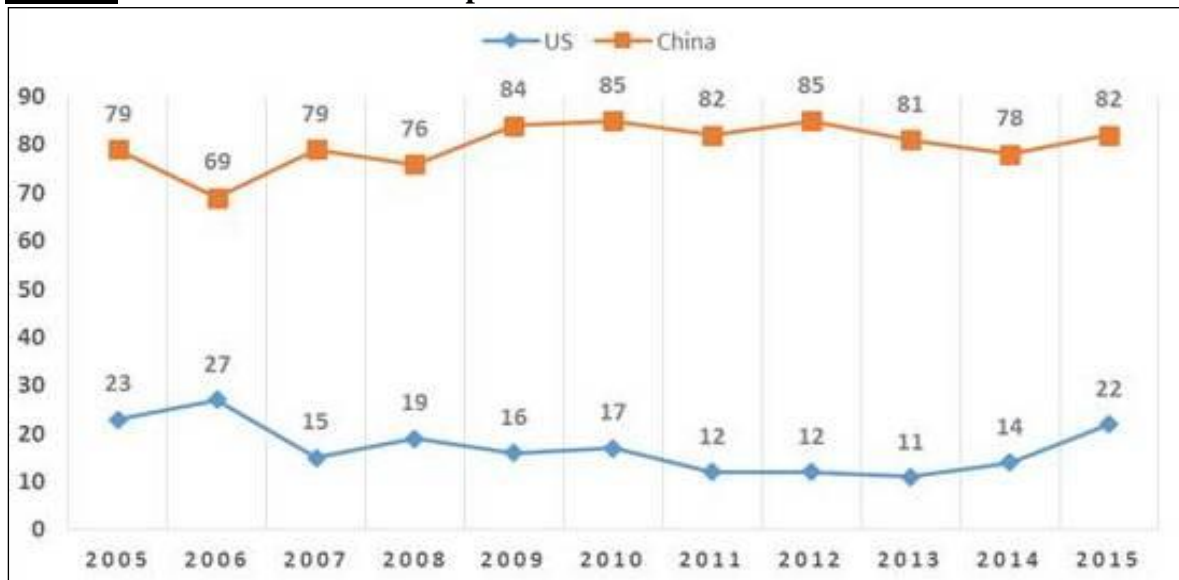


Chart: Created by Author.

Source: Pew Global Center, <http://www.pewglobal.org/database/custom-analysis/indicator/1/countries/166/>.

<sup>13</sup> “Pakistanis view US as an enemy”, *Pew Research Center*, 12 August 2010, <http://www.pewresearch.org/fact-tank/0210/08/12/pakistanis-see-u-s-as-an-enemy/>. Accessed on 25 October 2017.

<sup>14</sup> “America’s Image Remains Poor Concern about Extremist Threat Slips in Pakistan”, *Pew Research Center*, 29 July 2010. <http://www.pewglobal.org/files/2012/06/Pew-Global-Attitudes-Project-Pakistan-Report-final-Wednesday-June-27-2012.pdf>. Accessed on 25 October 2017.

China's investment in Pakistan has created strong economic linkages between the two countries and has generated much public goodwill for China in Pakistan. The CPEC was initiated when Pakistan was reeling under a severe energy crisis. It desperately needed investment in the energy sector as it was suffering from 18 to 20 hours of power shortages in 2012, which led to massive riots. In 2013, during Chinese Prime Minister Li Keqiang's visit to Pakistan, both countries formally agreed to build an economic corridor.<sup>15</sup> This came at a time when many other countries were not willing to invest in Pakistan due to the perceived political risk. In 2012, Moody's downgraded Pakistan's sovereign credit rating to the lowest ever, and, in 2013, Newsweek declared Pakistan the most dangerous country in the world.<sup>16</sup> In 2013, the International Monetary Fund also stated that Pakistan was facing the high possibility of an economic crisis. The Chinese investment surge into Pakistan was swift following the formal announcement of the CPEC. In the financial year of 2017, total foreign direct investment (FDI) into Pakistan was US\$2.41 billion (S\$3.24 billion), with China being the single largest investor, accounting for US\$1.24 billion (S\$1.67 billion) of the FDI into the country.<sup>17</sup> Pakistan, with the help of China, has been focusing on its energy projects to meet growing demand and end load-shedding in the country. Under the CPEC, there are a number of coal-based projects in progress, attracting US\$173.1 million (S\$232.7 million) in investments so far, mainly from China.<sup>18</sup> In November 2017, Pakistani Prime Minister Shahid Khaqan Abbasi inaugurated a 1,320 megawatt Port Qasim coal-fired power plant, the second largest project under the CPEC. Pointing to the success of the CPEC in addressing Pakistan's energy crisis, the Prime Minister stated that Pakistan had achieved a surplus in energy in a short period of four years since 2013.<sup>19</sup>

Many of the South Asian countries are slowly but gradually integrating their economies with China. In the last five years, China's economic role has increased significantly in the South

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<sup>15</sup> "China, Pakistan to bolster ties", *China Daily*, 23 May 2013, <http://en.people.cn/90883/8254780.html>. Accessed on 25 October 2017.

<sup>16</sup> The United States Institute of Peace Discussion on China's Economic Corridor, 3 February 2017, Pakistan's minister of planning and economic development, Ahsan Iqbal – the cabinet official overseeing CPEC. <https://www.usip.org/events/pakistani-minister-chinas-economic-corridor-cpec>. Accessed on 24 October 2017.

<sup>17</sup> "Rising Chinese investment pushes FDI up by 56.3pc", Khurshid Ahmed, *Daily Times*, 19 October 2017, Vol. 15 No. 287, <https://dailytimes.com.pk/127221/rising-chinese-investment-pushes-fdi-56-3pc/>. Accessed on 24 October 2017.

<sup>18</sup> Ibid.

<sup>19</sup> "Pakistan is now energy surplus, says PM Abbasi", Parvaiz Ishfaq Rana, *Dawn*, 30 November 2017, <https://www.dawn.com/news/1373777/pakistan-is-now-energy-surplus-says-pm-abbasi>. Accessed on 2 December 2017.

Asian region. Its defence cooperation with a number of South Asian countries has also increased substantially – the exceptions are India and Bhutan.

China is the largest supplier of weapons to Bangladesh and Pakistan. Since 2012, China has been the largest foreign assistance provider to Sri Lanka. In 2016, China provided foreign assistance amounting to US\$273 million (S\$367 million) to Sri Lanka.<sup>20</sup> China is involved in financing, constructing and operating major ports and other infrastructure in Sri Lanka. It is also concentrating on maritime infrastructure development in Sri Lanka, which will serve as an important hub for its 21<sup>st</sup> century Maritime Silk Road project. The increasing defence relationship between Sri Lanka and China also seem to point to China's plans to use Sri Lanka as a major hub for future naval operations in the Indian Ocean region. Chinese Minister of Defence and State Councillor, General Chang Wanquan, visited Sri Lanka in March 2017 to discuss and further enhance defence cooperation with Sri Lanka. The Chinese are also helping Sri Lanka upgrade its defence infrastructure.<sup>21</sup>

China is Nepal's second largest trading partner and its largest investor.<sup>22</sup> It is planning to further increase its investments in the country. During an investment summit in Nepal in 2017, foreign and domestic investors signed letters of intent to invest US\$13.52 billion (S\$18.17 billion) in Nepal. Of these, the Chinese share was US\$8.3 billion (S\$11.16 billion).<sup>23</sup>

Most of the South Asian countries tend to tilt towards China as a means to balance India. Now, with the increase in China's international profile, it is becoming an even more attractive economic and defence partner. In the next five years, if the Chinese economy maintains a reasonably healthy economic growth, Beijing would be able to further integrate the South and Southeast Asian regions.

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<sup>20</sup> <http://www.cbsl.gov.lk/>. Accessed on 24 October 2017.

<sup>21</sup> On the 90<sup>th</sup> Anniversary of the People's Liberation Army of China, State Minister of Defense Wijewardane highlighted the importance of defense relations with China, *Sri Lankan Government News*, 27 July 2017. <https://www.news.lk/>. Accessed on 25 October 2017; and "China Defense Minister Official Visit to Sri Lanka called on President Sirisena on March 20", *Sri Lankan Government News*, 21 March 2017, <https://www.news.lk/>. Accessed on 24 October 2017.

<sup>22</sup> "Nepal – Foreign Direct Investment and Foreign Portfolio Investment Statistics", *export.gov*, 9 September 2016. <https://www.export.gov/article?id=Nepal-Foreign-Direct-Investment-Statistics>. Accessed on 24 October 2017.

<sup>23</sup> "Investors intend to pour \$13.52 b into Nepal", Kuvera Chalise and Ashim Neupane, *My Republica*, 4 March 2017. <http://www.myrepublica.com/news/15843/>. Accessed on 24 October 2017.



Unlike in the Eurasian region or Europe and North America, China does not seem to have a major regional challenger in South Asia or Southeast Asia. Externally, the challenge to China's 'new era' could have come from the US or the EU. However, due to internal challenges and changing policy orientations, as well as challenges in the Middle Eastern region, both the US and Europe are finding it hard to focus their resources and political energy on the Asian region.

India is often viewed a challenger (or a competitor) to China in South Asia and Southeast Asia. However, for most of the South Asian countries, India is a less attractive economic proposition than China. India is one of the most difficult places to do business, with it being placed at the 100<sup>th</sup> position in the ease of doing business ranking, while China's ranking is 78.<sup>24</sup> According to the World Bank's report, 'Poverty and Shared Prosperity', "India has 30 per cent of its population living below the poverty line at 224 million, more than 2.5 times as many as the 86 million in Nigeria, which has the second-largest population of the poor worldwide".<sup>25</sup> The Hunger Index ranks India as a country with serious hunger issues. Along with Djibouti and Rwanda, India is ranked 100<sup>th</sup> on the Hunger Index, while China is in the 29<sup>th</sup> position. The child stunting rate in India is 38.4 per cent, making a major part of the future generation of India a largely unhealthy generation.<sup>26</sup> India's transport infrastructure is old, inefficient and deadly. In 2014, rail accidents led to the death of 27,581 people in India.<sup>27</sup> For any South Asian traveller who has visited China as well as India, the difference is stark between China's modern bullet trains and India's old slow-moving colonial rail network. India can perhaps be a challenge to China only when it has the support of the US and its allies, which include Japan, South Korea and Australia, the countries which have a common interest in counter-balancing China. Independently, India is only a sideshow in the power equation in the region.

For many Asian countries, China has shown the way to development. A confident Asian power defied the western models of political and economic development to become the second largest economy in the world. Now it is looking forward to becoming the largest economy in the world. If the Chinese succeed in their strategy to integrate South Asia, then its 'new era' could

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<sup>24</sup> The World Bank, <http://www.doingbusiness.org/rankings>. Accessed on 24 October 2017.

<sup>25</sup> "India has highest number of people living below poverty line: World Bank," *Business Today*, 3 October 2016, <http://www.businesstoday.in/current/economy-politics/india-has-highest-number-of-people-living-below-poverty-line-world-bank/story/238085.html>. Accessed on 23 October 2017.

<sup>26</sup> "2017 Global Hunger Index, The Inequalities of Hunger". <http://www.ifpri.org/publication/2017-global-hunger-index-inequalities-hunger>. Accessed on 23 October 2017.

<sup>27</sup> "Why India's train network is so deadly", Juliet Perry and Medhavi Arora, *CNN*, 23 January 2017. <http://edition.cnn.com/2016/11/22/asia/india-railway-system/index.html>. Accessed on 24 October 2017.

potentially see all roads from South Asia leading to China. However, this is an unlikely scenario, given the power structure of the South Asian region, and the increasing threat perception of China in the Asian region and beyond.

## **Not yet a ‘New Era’?**

Although there is considerable media hype about China’s BRI, the US and the EU, despite their own challenges, still continue to be major players in the South Asian region. For instance, while Bangladesh’s largest trading partners in 2016 were China (13.8 per cent), India (8.9 per cent) and US (6.3 per cent), as a group, the EU, with its 28-member countries, was Bangladesh’s biggest trading partner, accounting for 21.9 per cent of its trade. It is dependent on the West for its export earnings, for its largest export partners are the EU (43 per cent), US (13 per cent), India (2.5 per cent) and China (2.3 per cent) respectively.<sup>28</sup>

Bangladesh’s major investors in 2015/16 were the US (US\$449.74 million [S\$604.48 million]), United Kingdom (US\$306.96 million [S\$412.58 million]) and South Korea (US\$138.49 million [S\$186.14 million]). China was only the 10<sup>th</sup> largest investor at US\$52.37 million (S\$70.39 million) while India was in the eighth position at US\$88 million (S\$118.3 million).<sup>29</sup> The deals worth US\$37 billion (S\$49.7 billion), signed at the government and private level with China during Xi’s visit to Bangladesh in October 2016, are viewed as a big achievement by the Bangladeshi government. However, how many of these deals will eventually materialise is yet to be seen.<sup>30</sup> Also, among the deals signed, US\$25 billion (S\$33.6 billion) were for loans from China. While Bangladeshi experts view these deals as a means for China to increase its influence over the country, they also acknowledge that it will greatly benefit Bangladesh’s infrastructure development.<sup>31</sup>

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<sup>28</sup> EU trade Data, [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113349.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113349.pdf). Accessed on 23 October 2017.

<sup>29</sup> FDI in Bangladesh- A Survey Report, Statistics Department Bangladesh Bank, January-June 2016, <https://www.bb.org.bd/pub/halfyearly/fdisurvey/fdisurveyjanjun2016.pdf>. Accessed on 23 October 2017.

<sup>30</sup> “Strategic partnership with China”, *The News Today*, 11 October 2017, [http://newstoday.com.bd/index.php?option=details&news\\_id=2482999&date=2017-10-11](http://newstoday.com.bd/index.php?option=details&news_id=2482999&date=2017-10-11). Accessed on 23 October 2017.

<sup>31</sup> “China, India arm-twisting to Bangladesh,” *The New Nation*, 7 October 2017, <http://thedailynewnation.com/news/150192/china-india-arm-twisting-to-bangladesh.html>. Accessed on 24 October 2017.

In the global media, there is lot of hype and bluster about the BRI. It seems to be one of the most successful Chinese propaganda in modern history. However, China's real intent – which has always been so since the China-Soviet divide – is the quest for partnership with the US. Despite its woes, there is still significant global confidence in the US economy. One indicator is FDI flows into the US. In 2016, the US attracted US\$385 billion (S\$517.6 billion) in FDI while China received only US\$139 billion (S\$186.8 billion). Even the Chinese are confident about the US economy. China's total FDI outflow in 2016 was US\$183 billion (S\$246 billion) and the US was the single largest recipient at US\$46 billion (S\$62 billion). Partner countries of the BRI, like Pakistan, received only one-fortieth of that amount.<sup>32</sup>

The realisation of a Chinese 'new era' will be dependent on how China is able to change the perception of the US in the Asian region. The US is arguably still the most powerful nation in the Asian region – its military and financial resources are still formidable. For instance, in South Asia, the largest trading partner of India in goods and services is the US – India's total trade with the US in goods and services was US\$114.8 billion (S\$154.3 billion) in 2016 with a US\$30.8 billion (S\$41.4 billion) trade surplus in India's favour.<sup>33</sup> On the other hand, India's total trade with China in the 2017 financial year was US\$71.48 billion (S\$96.1 billion) with a trade deficit of US\$51.08 billion (S\$68.66 billion) in China's favour.<sup>34</sup> Above all, the Indian information technology industry is heavily dependent on the American market.

The US military might in the Asian region is still largely unchallenged. Most modern militaries in Asia, such as the Japanese Self-Defence Forces and the South Korean armed forces, are also heavily integrated with the US. The Asian region's second largest military, the Indian armed forces, is also increasingly supplied with American weapons, and has extensive and intensive cooperation with the US armed forces.

The contemporary perception of China's formidable presence in Asia largely relates to its growing economic influence in the region. However, this economic influence is matched by

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<sup>32</sup> World Investment Report 2017, [http://unctad.org/en/PublicationsLibrary/wir2017\\_en.pdf](http://unctad.org/en/PublicationsLibrary/wir2017_en.pdf). Accessed on 25 October 2017); Alana Semuels, "Will China Save the American Economy?," 27 June 2017. <https://www.theatlantic.com/business/archive/2017/06/china-american-factories/531507/>. Accessed on 25 October 2017.

<sup>33</sup> "U.S.-India Bilateral Trade and Investment", Office of the United States Trade Representative, 22 March 2017 (last updated). <https://ustr.gov/countries-regions/south-central-asia/india>. Accessed on 24 October 2017.

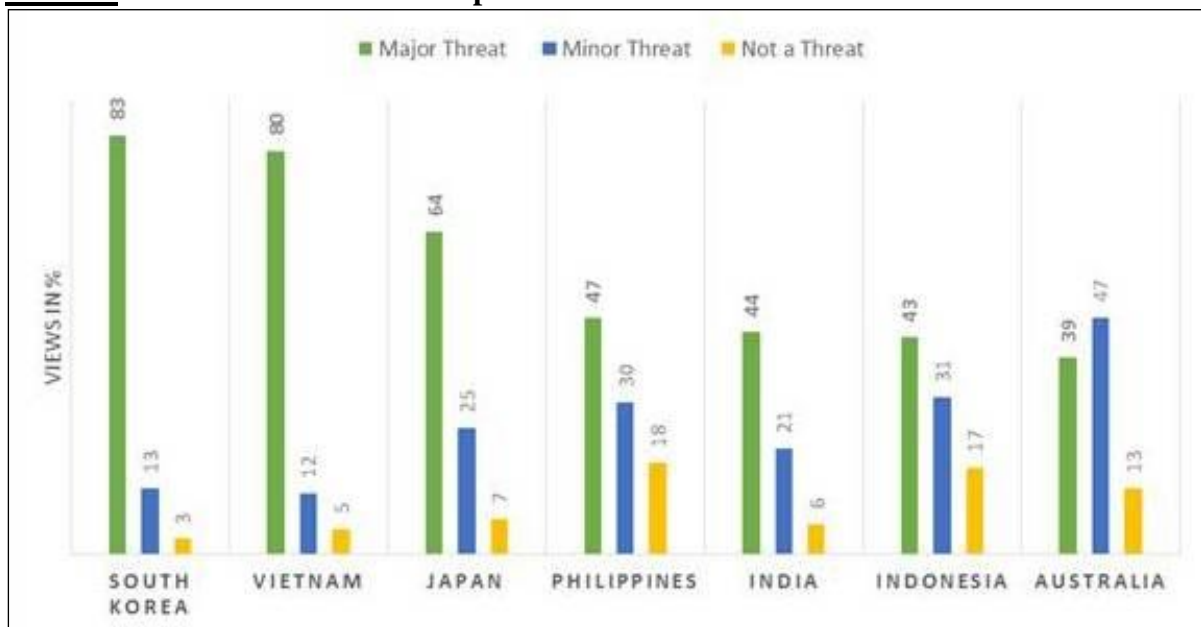
<sup>34</sup> "Trade deficit with China a matter of concern: Nirmala Sitharaman", *Economic Times*, 25 July 2017. <https://economictimes.indiatimes.com/news/economy/foreign-trade/trade-deficit-with-china-a-matter-of-concern-nirmala-sitharaman/articleshow/59735997.cms>. Accessed on 24 October 2017.

the US, EU and several other competing powers in the region such as Japan and, to some extent, India.

Another important factor which has led to the current perception of Chinese prominence in the Asian region is distraction of the US for reasons mentioned earlier in this paper. Such distraction, as seen in the past, is likely to be temporary. US Secretary of State Rex Tillerson’s visit to South Asia, coinciding with Xi’s announcement of a Chinese ‘new era’, can be viewed as the US iteration of its interest in the region.<sup>35</sup>

The power configuration in Asia is also not ready for a Chinese ‘new era’. China is surrounded by great powers like Russia, aspiring great powers like India and Japan, and fiercely independent nations like Vietnam and Korea (both South and North). Beijing’s efforts to usher in a Chinese ‘new era’ will be interpreted as a threat to the existing regional balance of power, and there will be efforts to counter-balance Chinese power in the region. It will be easier for the US to strengthen its alliances and regain its influence in the region, especially because the major countries in the Asia Pacific region perceive China as a threat.

**Table 2: Asia Pacific Threat Perception of China**



Graph created by Author.

Source: Laura Silver, “How people in Asia-Pacific view China,” Pew research Center, 16 October 2017. <http://www.pewresearch.org/fact-tank/2017/10/16/how-people-in-asia-pacific-view-china/>.

<sup>35</sup> “Tillerson Wraps Up Ambitious South Asia Trip”, Paul Alexander, VOA, 26 October 2017. <https://www.voanews.com/a/tillerson-wraps-ambitious-south-asia-trip/4087748.html>. Accessed on 27 October 2017.

## Conclusion

China, with its increasingly slowing economic growth, will find it difficult to maintain the current level of economic engagement with the other Asian countries. At the same time, its increasing influence in the region is upsetting the power balance. It would be natural for the regional powers to maintain a power equation which is predictable and tested, as in the case of the existing American-led regional order. Having said this, in any future Asian regional power structure, China will still be an important and influential power. However, it would not be the predominant one. There will not be a Chinese ‘new era’ in Asia or the world, as the Chinese perceive it.

There are several possible scenarios for Asia in the future. The first is the coexistence of the great powers. China will come to the realisation that it cannot replace the US in the Asian region but can coexist with it. The US, even if it does come to a strategic arrangement and cedes space to China, would continue to retain its core interests in the region. A second more plausible scenario will see China attempting to usher in a ‘new era’ in the region and it will face counter-efforts from the other powers in the region, such as India and Japan. The US will see this counter-effort as a low-cost option to counter-balance China in the region and may lend its full support to the effort. In this scenario, in the next few years, South Asia, in particular, and Asia, in general, as a whole, will see increasingly competitive behaviour from the US, China, India and other regional powers. The region could potentially become the centre-stage for big-power conflicts in the future.

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