In a speech delivered recently in Seoul, former US National Security Advisor Stephen J. Hadley outlined how the remarkable economic rise of Asia has reshaped the global political order and how this has posed trenchant questions, in particular, about how Asia, the US and the rest of the world should respond to the rise of China — and how China should respond to the concerns of other nations.

FROM THE RUINS OF WAR over 60 years ago, South Korea has become one of the most remarkable success stories in recent history. Once a recipient of foreign aid, South Korea now has one of the most dynamic and vibrant economies in the world. Its thriving democracy is a bulwark of freedom and stability against a reckless and oppressive regime in North Korea. South Korea and the United States maintain a strong political, military and economic relationship that has helped sustained peace and prosperity throughout the Asia-Pacific region. The partnership we have forged is not simply the result of sacrificed shared sacrifice and shared history. Rather, it is anchored in the common values and deep desire for freedom and peace that we share. South Korea’s recent decision to release a troubling report on human rights abuses in North Korean prison camps is a testament to its dedication to human liberty and life. Our shared interests and values have made our alliance stronger than it has ever been.

Some 15 years ago, I attended a conference sponsored by former US President George H.W. Bush and the Bush Library Foundation called the “Dawn of an Asian Era.” At the time, that auspicious title was more of a question than an assertion, more promise than fact. But that is not so today. We are clearly at the dawn of an era in which developments in Asia will have enormous implications for the US and the rest of the world.

Having weathered the global financial and economic crisis better than the developed world, the emerging economies of Asia are for the first time leading the world out of a global recession. As developed economies struggle with deep fiscal deficits and stagnating economies, Asia is projected to experience robust growth. Over the next five years, nearly half of the world’s economic growth is projected to occur in Asia. And by 2050, it is estimated that Asia could account for over 50 percent of global GDP.

It is clear that the global power map is shifting in response to these trends. Prior to the recent financial and economic crisis, the forum of choice for dealing with such matters was the Group of Eight (G-8) nations, the informal collection of nations that supposedly represented the major global economic powers. Only one of those nations, Japan, was an Asian nation. Since the crisis, the G-8 has given way to a new informal grouping, the G-20. Six of these 20 now come from Asia — China, Japan, South Korea, India, Indonesia and Australia. The fact that both the G-20 Summit and the Nuclear Security Summit were recently hosted in South Korea symbolizes Asia’s importance to the
The Asia of today is different from the Asia of even a decade ago. The categories we have previously used to define Asia — Northeast Asia, South Asia, Southeast Asia — are simply out of date. Asia is no longer a place of Balkanized sub-regions, but increasingly an integrated and interdependent whole. It is incumbent upon us to see Asia as Asia.

For all the attention given to China, India is equally important — moving from a regional player to a major force on the world stage. This is why both the administrations of US President Bill Clinton and both Presidents George H.W. Bush and George W. Bush worked to establish a strategic partnership between the US and India. The motivation was not to balance or check the rising power of China, but to help ensure that, as a global power, India would be more an ally than an adversary. As the world’s most populous democracy with an increasingly market-oriented economy, India shares our values. Our historical experience is that nations that share our values tend to want — to be a modern, developed state able to provide prosperity and a better life for its people. It seeks the respect of the international community and the role of a great power. This perhaps is the dominant strain of thought in China, and we should fully support it. But on another level, China is tempted to try to remake the international system to its advantage, gobble up global energy resources, and use its growing military and other elements of power to impose its will on its neighbors. These two strands of thought are reflected in at least two competing approaches to China’s foreign policy.

One school believes that now is the time for China to assert itself on the world stage. This school believes China’s strategic position has improved to the point that the world must take this fact into account and pay greater deference, if not obeisance, to China’s interests and demands. This view is strengthened by the perception of the imminent decline of the US as a global leader and China’s emergence as the most likely replacement. In this view, US arms sales to Taiwan, joint military exercises with other regional countries, and democracy promotion policies represent US efforts to maintain its global hegemony and meddle in China’s domestic affairs in ways that are no longer acceptable. In this view, China’s relationship with the West is a long-term, zero-sum game in which it is time that the sums begin to tilt in China’s favor. It is this view that supports the impulse for more aggressive action by China to impose its will on its neighbors.

A second school reflects a less hostile view and a greater emphasis on internal economic development as China’s overarching priority for this period in its history. This school is more sensitive to China’s internal weaknesses and the enormous challenges it faces. In this view, China seeks a “benign” international environment and avoidance, if possible, of the kind of international confrontations that would distract from and undermine the country’s economic growth and development. Accordingly, in this view, it is in China’s best interests to co-operate with other nations and share responsibilities as “passengers in the same boat.” 1, 2 In this view, China does not seek expansion but only “a policy of friendship, security and prosperity” with its neighbors. Advocates of this approach also believe that the US and China are not “competing rivals in a zero-sum game” but potential partners with more common interests than differences. 3 It is this view that supports the Chinese focus on the development, modernization and prosperity of its people.

WHAT CHINA ASKS

The first question we should ask ourselves is: what kind of future does China want for itself? On one level, China wants what most states want — to be a modern, developed state able to provide prosperity and a better life for its people. This view, the perception of the imminent decline of the US as a global leader and China’s emergence as the most likely replacement. In this view, US arms sales to Taiwan, joint military exercises with other regional countries, and democracy promotion policies represent US efforts to maintain its global hegemony and meddle in China’s domestic affairs in ways that are no longer acceptable. In this view, China’s relationship with the West is a long-term, zero-sum game in which it is time that the sums begin to tilt in China’s favor. It is this view that supports the impulse for more aggressive action by China to impose its will on its neighbors.

WHAT TO ASK OF CHINA

The second question we must ask is: what do we want from China? We have an interest in China achieving its development and economic goals. The world economy is already so dependent on China that it can ill afford a China that descends into recession or depression, much less economic chaos. The world needs China to continue to be an engine of global economic growth. We also have an interest in a China that contributes to a stable international order, abides by its rules, and works with all of us to address global problems. The list of global problems is a long one. It includes:

• Restarting global economic growth;
• Securing adequate supplies of energy;
• Developing renewable energy sources;
• Halting the spread of nuclear weapons;
• Fighting terrorism;
• Managing global climate change;

Combating global pandemics and health hazards.
These are problems that cannot be solved by either China or the United States acting alone; nor can they be solved by China and the US acting together as some kind of Group of Two (G-2). They can only be solved by China and the US working together in collaboration with the rest of the international community. All of our countries need to solve these problems if we are to achieve our respective national aspirations and objectives.

But none of us has an interest in China becoming a regional hegemon. And there are no countries willing to anoint China as the world’s next global leader. Instead, we need to work together to structure a set of incentives and disincentives — and the capabilities in the region — that will encourage China to refrain from using its growing economic and military power to bully its neighbors and impose its will upon them.

**HOW TO APPROACH CHINA**

This leads us to the third question: in light of what China wants — and what we want — what should be the policy of our nations towards China?

First, it should not be a policy of confrontation, containment or isolation. We are not — and should not be — trying to hold China down or impose its will upon them. Second, it should be a policy that encourages China to be invested in, supportive of, and actively participating with others in the international system and the rules and practices that sustain it. To encourage this behavior, our nations need to engage with Chinese officials and the people themselves at every level as often as we can. We need to reassure them of our good intentions, to help them understand their true interests as a major power in the international system, and to show them how the rules and practices of that system serve their interests. Currently, there are more than 60 government-to-government dialogues with China, and we need to extend their scope, coverage and frequency. This especially includes increased military-to-military contacts.

Third, to pursue this policy the US must be present and active in Asia in every dimension: diplomatic, political, economic and military. Diplomatically, the US needs to be an active member and participant in the “alphabet soup” of organizations by which the countries of the Asia-Pacific region are coming together and organizing themselves. For example, the US needs to continue to strengthen the Asia-Pacific Economic Cooperation (APEC) forum, strengthen ties with the Association of Southeast Asian Nations (ASEAN), and play an active role in the emerging East Asia Summit (EAS). Our democratic friends and allies also need to be part of these fora.

Politically, the US needs to consult actively and work closely with our friends and allies in the region to identify common interests and common strategies to meet the common challenges that face all of us in the region.

Economically, the US needs to recognize that Asia is experiencing a dramatic growth in intra-regional trade and is entering into free trade arrangements among Asian nations that will only encourage this trend. The rate of growth of these agreements has been explosive: the number of free-trade agreements within Asia grew from six to 70 over the last 15 years, and there are currently 80 intra-Asia free trade agreements under negotiation.6 The US has largely been left out of these arrangements and has been shamefully slow to take the initiative to create such agreements for itself. The results are predictable: China, not the US, is now the largest trade partner of virtually every Asian country, and US exports to Asia have steadily declined over the past few years.

These trends need to change. The South Korea-US free trade agreement is a step in the right direction. Negotiated first by President George W. Bush and implemented by President Barack Obama, this is the biggest bilateral free trade agreement for the US since the creation of the North American Free Trade Agreement (NAFTA). The Trans-Pacific Partnership (TPP) also opens up new opportunities for trade and investment. While the TPP and the South Korea-US free trade agreement underscore our commitment to the Asia-Pacific region, it is in none of our interests for the US to be left out of the emerging intra-regional trade arrangements. It will only marginalize the ability of the US to influence developments in the region. We understand that the US has an obligation to become once again an attractive trading and investment partner for Asia. But it is also in the interest of our friends and allies in Asia to push for inclusion of the US in regional trading arrangements — and not to sit silently in the face of our non-inclusion.

 Militarily, the US military presence and deployments in Asia, our defense co-operation arrangements with friends and allies, and the defense systems needed in the Asian theater — like capabilities to counter anti-access and area denial challenges — must be protected from any defense budget cuts. A robust American military presence is nothing new in Asia. That is why many of us have been critical of calling recent US adjustments in its posture the “pivot” to Asia. “Pivot” suggests that we are somehow “returning” to Asia — when the reality is we never left. “Pivot” suggests that the US is abandoning or reducing its commitments in Europe, the Middle East, and elsewhere — which we are not doing.

What we are doing is adjusting our presence in Asia to the current situation we face there. Singapore’s plans to accept the stationing of US Navy warships for joint naval exercises, Australia’s willingness to station 2,500 US Marines in Darwin, the Philippines’ decision to sign the “Manila Declaration” and continue joint military exercises and Japan’s support for the development of a “strategic hub” in Guam, are all welcome steps in this process. Continued instability on the Korean Peninsula and in the South China Sea emphasize the importance of continuing to co-ordinate strategies on defense issues with South Korea, Japan, India, Australia, Singapore, New Zealand, the Philippines and other close friends and allies.

But we understand that there is something even more fundamental that the US must do in order to sustain a strong diplomatic, political, economic,
and military presence in Asia. We must put our domestic economic, financial, and fiscal house in order. This is a challenge for the US and some other countries, as well. But everything a nation does overseas — its diplomacy, its economic influence, its trade and investment profile and its defense activity — depends on the nation’s economy. We simply must get our economic houses in order — and I am confident the US will do so.

FROM THE INSIDE OUT

But despite all the measures our nations can and must take, ultimately the future relations that any of our nations have with China will be driven largely by what happens within China. And this in turn may ultimately be driven less by the top-down policies adopted by the Communist Party authorities in Beijing and more by bottom-up pressures for change — and how the regime responds to those pressures.

The legitimacy of Communist Party rule in China and its continuing grip on power depends heavily on producing unrelenting near-double-digit economic growth that China’s expanding population requires. But that very economic growth produces economic and social effects that present real challenges for the regime. Some of these internal challenges include:

- Governmental and private corruption;
- Arbitrary action by regime officials;
- Ethnic conflict;
- Severe environmental degradation;
- Land confiscations without fair compensation;
- Significant labor unrest;
- Widespread occurrences of public demonstrations, social upheaval, and violence; and
- Backward and underdeveloped areas, especially in the western provinces.

China is also preparing for what has already proven to be a turbulent political transition. The Bo Xilai case has demonstrated that the lack of rule of law and transparency, and the presence of widespread corruption, are major issues the Chinese government has yet to resolve even at the highest levels. The image of a ruling elite setting the rules for others but not observing those rules themselves cannot but have a corrosive effect on regime legitimacy and stability. As new appointees prepare to assume positions in political institutions ranging from provincial governments to the Politburo Standing Committee, the members of China’s political elite are realizing that they are not immune to political division and domestic unrest. Perhaps the most telling sign of China’s concern over domestic stability is that Chinese spending on internal security outstripped military spending last year for the first time.

The recent case involving Chen Guangcheng clearly reflects the problems faced by China’s closed and restricted political system. First was the embarrassment of Chen’s escape. Then, as Chinese authorities sought to suppress information, Chinese activists used Twitter and other social media to keep the world apprised of what was going on. But what is perhaps the most interesting feature of the case is that Chen was not seeking to challenge or overthrow the Chinese system but was pressuring the central authorities to enforce their own laws and regulations in the face of lawless and unresponsive local officials. The Bo Xilai and Chen Guangcheng cases have shown that the regime faces an enormous challenge in providing the legitimate, effective and accountable government that its people are increasingly demanding. A return to the centralized totalitarian approaches of the past simply will not work in the sophisticated and complex economy that is modern China — and in an age where the Internet and social media are connecting society in unprecedented ways. Rather, China is going to have to turn to its own people and mobilize them to drive accountability into the Chinese system down to the local level and to build a more open and participatory — and, yes, democratic — society. This is the way to create a reformed government that is more supported by the people and a society that is more prosperous and stable. In this process, people like Chen Guangcheng whom the regime now brands as subversive dissidents may turn out to be the sentinels of China’s future.

SPEAKING OF FREEDOM

It is the collective historical experience of our democratic friends and allies that such a political evolution will produce a more prosperous, just and stable society. It is no accident that thespread of freedom and democracy in Asia over the last half of the 20th century was accompanied by nearly unprecedented prosperity and stability. And the recent prosperity in China itself has been the direct result of the free market reforms courageously adopted by Deng Xiaoping in the late 1970s. But China will only reach the “harmonious society” it seeks — and its full potential as a nation — when this economic freedom leads to greater political freedom for its citizens.

America’s political leaders — and the leaders of Asia’s democratic friends and neighbors — need to be making this point. Their visits to Asian countries that are not yet free should include symbolic gestures and public events designed to show their commitment to freedom and democracy — and to those heroes that seek them. Our leaders should raise individual human rights cases — usually quietly, but at every stop.

There has been enormous progress since the establishment of full diplomatic relations between the US and China over 30 years ago. This progress has not been achieved as a matter of sentiment. This progress has not been achieved by a US capitulation to the interests of China or China’s capitulation to the interests of the US. This progress has been achieved because each of our nations has found it to be in its own national interests to foster good relations.

This progress in relations has been good for China. It has advanced China’s economic development and increasing prosperity. This progress has been good for the rest of the world. It has contributed to global economic well-being. But all of our relations with China have come to a crossroads, and the next decade will be a complex period of enormous promise but also potential peril.

There are real issues that divide China and our democratic nations. There are differences and disagreements on human rights, foreign investment, freedom of navigation, competition for natural resources, commercial activity in developing nations, and how to confront national security challenges including in Iran and North Korea. These must be addressed. Devising constructive solutions to these problems will be difficult. But if we succeed, it can ultimately strengthen relations and ensure that our common future is more promising than peril.

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