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## **AN ALL ASIAN COMMUNITY? DIRECTIONS AND CHALLENGES IN PHILIPPINES-CHINA SECURITY RELATIONS**

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*(Speech delivered during the Roundtable Discussion organized by PIPVTR on 19 November 2010 at 7<sup>th</sup> Floor Sterten Place Condominium, 116 Maginhawa Street, Teachers Village East, Diliman, Quezon City)*

In 1997 the Chinese People's Political Consultative Conference, sponsored a forum on China in the 21<sup>st</sup> century, the probability that China could emerge as one of the world's major powers was hinted at, but no one dare predict that it could become a reality in the span of 10 years. After all for over a hundred years China was considered "the sick man of Asia." And because of extreme poverty, some Western historians portrayed China in the textbooks of my generation as "the living fossil of the world."

At that conference, the heads of state, political leaders, and academics from all over the world observed that China could become a major power only if it would overcome the colossal challenges of poverty, underdevelopment, and engage peacefully with the rest of the world. Nobody predicted that China would become an economic superpower.

I appeared to be the only one who prophesied that China would be more than an economic superpower in the 21<sup>st</sup> century, that China would supplant the United States of America in Asia. American power, stature, influence would diminish despite its policy of using its Asian and NATO allies to contain China. I concluded that in the 21<sup>st</sup> century there would be an "Asia Without America," which was the title of my paper at the conference.

Despite my prediction, today America is still very much in Asia. When President Barack Obama assumed the U.S. Presidency, the White House press made clear that America “is still an Asian Pacific power” and “is still the leader of the Asia Pacific region.” Though most American analysts admit that America’s power, stature, and influence in the Asia-Pacific region have diminished considerably.

In his first presidential trip to China he told the Chinese students in Shanghai, “there are very few global challenges that can be solved unless the United States and China agree.”<sup>1</sup>

Indeed President Obama went to China with a long list of pressing global, regional and domestic issues.<sup>2</sup> They included: global financial recovery and stability; reforming the international institutional architecture; climate change and clean energy; global energy and natural resource supplies; America’s war in Afghanistan and Pakistan; America’s occupation of Iraq; Iranian and North Korean nuclear programs; the balance of power in Asia and the western Pacific; revival of APEC; nuclear arms control; and a range of non-traditional security issues (public health, counter-terrorism, non-proliferation, piracy, human trafficking, drug smuggling, etc.). Even Africa and Latin America were to figure on the Sino-American agenda. In addition, the bilateral agenda included a range of urgent trade protectionism and currency manipulation issues. Of course there were the “perennial” issues of Taiwan, Tibet and now Xinjiang. All these issues are also America’s main foreign policy concerns.

President Obama’s main agenda in China was to keep the overall framework of world order in US hands while building a viable partnership with China in order to address not only the worldwide economic downturn, but also an array of international and regional issues and problems. It was a crowded and complex global, regional, and bilateral agenda for the proposed partnership. Despite these specifics, the Chinese want to determine first whether the G-2 envisions an Asian peace that is to the mutual advantage of the U.S. and Asia or it involves uncertain diplomatic games with dangerous results for the rest of Asia.

Since China opened up to the world in 1978, it has quickly established itself as a global economic power. Numerous commentators and have hailed the economic advancement gained since that time.<sup>3</sup> According a UN report: “China’s big advantage is that it is joining the multilateral system from a position of strength: spectacular success in export expansion; a sound and sustained balance-of-payments position; and abundant international reserves. Moreover, it is well placed to resist excessive import pressures linked to repressed consumer demand, which have derailed other liberalization episodes.”<sup>4</sup> Ordinary Chinese feel freer and more open, which in a large measure, the product of a continuing and accelerating technological advances. And within the span of thirty years China has created for its people new occupations, higher incomes, expanded opportunities, and new aspirations.

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<sup>1</sup> “Obama: China helps US walkout of recession,” *People’s Daily* online, November 17, 2009

<sup>2</sup> “Welcome, China?” Editorial, *The Washington Post*, November 17, 2009.

<sup>3</sup> See *An Assessment of Poverty and Inequality in China*, March 2009, Poverty Reduction and Economic Management Department, East Asia and Pacific Region, World Bank.

<sup>4</sup> *United Nations Trade and Development Report, 2002*, UN Conference on Trade and Development

In economic terms China is the world's largest exporter and has overtaken Japan as the second largest economy in the world. It has the world's largest current account surplus and foreign exchange reserves. According to geo-politico-economic experts, China is a global economic superpower: it is big enough to affect the world economy. It is vigorous enough to be a factor in global growth. Its trade and capital flows have sufficient impact on other countries.<sup>5</sup>

Simply by virtue of its status as an economic superpower China has become, in the perception of the US and the EU leaders, a major challenge to their power, stature and influence in the current world order, which they claim they created. China's growth and development have led to demands for change of the existing international architecture. And indeed the move toward an all Asian Community is viewed by the West as competition under new rules and could endanger both the existing world order and their worldwide economic interests.<sup>6</sup>

On this issue, many Asian believe that the West keeps double standards: while it claimed the European Union and the NAFTA are good for the current world order, it has declared an all-Asian Community as detrimental to the order. In response Chinese Foreign Minister Yang Jiechi said: "both China and the other Asian countries should take creative and pioneering steps to pull the Asian economy out of the shadow of the global financial crisis."<sup>7</sup>

American analysts claimed that the Chinese owe their good fortune to the West. For instance, after opening up, China has lifted millions out of the poverty line. Yet China continues to pursue its own set of values under the rubric of "socialism with Chinese characteristics." For this reason alone, China is "not a responsible stakeholder in the international system."

The Chinese, of course, do not agree. China owes its growth and development to the Chinese leadership and the Chinese people. Premier Wen Jiabao in a speech at the UN declared: "we in China have accelerated development mainly with our own efforts and through reform and opening-up. As a result, China has brought down the number of people in absolute poverty from 250 million to 15 million in less than 30 years. We have set up the system of village and community self-governance for rural and urban residents and introduced government transparency, democratic oversight and direct election at the community level."

Despite criticisms and condemnations from the U.S., China is far more integrated into the world economic system than any other economic superpower. It matched the largest United States economy in global growth leadership during the record world expansion of 2004-2007. And given that the U.S. has not recovered from its economic meltdown, China is now the undisputed chief driver of today's world economic growth. This year

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<sup>5</sup> Fred Bergsten, Charles Freedman, Nicolas Lardy and Derek Michell, *China's Path to Superpower*, Peterson Institute for International Economics, Jan. 8, 2010. See also Evan Feigenbaum and Robert Manning, "The United States in Asia," Council Special Report No. 50, November 2009, Council on Foreign Relations.

<sup>6</sup> See Edward Prasad and Grace Gu, "An Awkward Dance: China and the United States," Brookings, November 11, 2009.

<sup>7</sup> "Chinese FM Yang Jiechi on foreign policies," *Sina English*, March 7, 2009.

China overtook the U.S. as ASEAN's third largest trading partner behind Japan and the EU. China and the ASEAN are the largest US markets in Asia today.<sup>8</sup>

To many American analysts, President George H. Bush senior's presumption in 1999 that providing a room for China in the U.S. defined and U.S. led global order was in America's interest: "Trade freely with China and time is on our side." Instead the globalization of Asian economies under US order, has led to the revision of Western capitalism into what some US economists label as "a state led-capitalism inspired by Asian values."

Cognizant of these changes, President Obama said the Nixon-Reagan-Bill Clinton-George Bush architecture "is buckling under the weight of new threats." This old architecture, which has been intended to preserve the American moment, insure America's world leadership, appears to be paving the way for China and India's emergence as potential competitors. Many American legislators are claiming that it also led China to manipulate its currency and the outsourcing of American goods in China, which has taken away the jobs of millions of Americans. In short, when China was selling footwear, textiles and clothing, toys, travel goods and sporting goods, it was tolerable. But with China's involvement in the assembly of technology intensive products such as telecommunication equipment and computers, exports of more advanced electronics devices such as office machines and automated data processing equipment and other industrial supplies such as solar cells, automobiles, and high speed trains, it was not acceptable.

Moreover, in China's rising, Asia is getting joined tighter and tighter through economic engagements. The Asian Development Bank reported that in 2009 intra-regional trade continues to reach more than 58% of total Asian trade. An intricate supply networks have linked manufactures across borders, intra-Asian trade and investment have reached a point where the region can drive its own growth irrespective of what might be happening to the US and Europe. Just as economic prosperity transformed the Chinese people, instilling in the average citizen new aspirations, so Chinese trading partners in Asia found reason to believe that their history could take on a new turn.

The World Bank has noted: "Asian countries that were destitute a generation ago now boast some of the highest living standards in the world. East Asia has already surpassed the Millennium Development Goal of reducing extreme poverty to half its 1990 levels by 2015." This means the region is ready for an all Asian Community.

For US State Secretary Hilary Clinton this is reason enough for America to reconstruct "a new global architecture that reflects and harnesses the realities of the 21<sup>st</sup> century," a new framework of world order under American leadership. Unlike President Bush junior who believed that "America can do it alone," Secretary Clinton asserts that in the new order, America will have to build "a network of alliances and partnerships, regional organizations and global institutions" to help keep America as a *status quo* power and to promote strategic changes that are favorable to American foreign policy objectives today. The core principle of America's alliance "is shared responsibility. Each nation

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<sup>8</sup> See *Economic Report of the President*, United States Government Printing Office Washington 2010. See also *The President's 2010 Trade Policy Agenda*, United States Government Printing Office Washington 2010.

must step up to do its part. An American leadership does not mean we do everything ourselves. America's security and prosperity depend more than ever on the ability of others to take responsibility for defusing threats and meeting challenges in their own countries and regions." <sup>9</sup> Indeed judging from Secretary Clinton's foreign policy speech and from the recent developments and events in Asia after China has rejected President Obama's offer of G-2 partnership, America has since then turned to its Cold War allies in Asia such as South Korea, Japan, some members of the ASEAN to pursue American foreign policy objectives in Asia which are:

1. To the prevent expansion of ASEAN+3 into an all Asian Community. And to make sure that despite China's growing strength in both economic and political influence, it should not become the actual driver and shaper of the emerging Asian order. In these preventive steps, were initially accomplished through: America's return to Asia, resurrection of the APEC Summit in Singapore, the US becoming a bona-fide member of the ASEAN by signing the ASEAN Treaty of Amity and Cooperation, host the first ever U.S.-ASEAN summit, the US signed the Guam International Agreement that helps sustain strong U.S. military presence in the region.
2. As a counter proposal to an all Asian Community, the U.S. is proposing an Asia-Pacific Community with America as the driving force. In the words of Defense Secretary Robert Gates, America wants to make clear that "the United States is not a visiting power in Asia, but a resident power... There should be no doubt that the United States itself, is a Pacific nation."

The US will not hesitate to use both its soft and hard power assets not only to preserve its global leadership but also to eliminate any rising rival power. It will use its partners to help it attain its foreign policy objectives in Asia, among them the promotion of American economic and security interests, using its human rights and democracy as the excuse. On the issue of human rights, President Obama is having problems after the midterm elections. *Time* magazine reported that incoming House Speaker John Boehner has vowed to keep Guantanamo open; last March he told CNN that he would not vote to shut the detention center "if you put a gun to my head." *Time* also noted some U.S. officials in Geneva appealed to activists to keep lobbying for Guantanamo's closure." It quoted Michael Posner, Assistant Secretary of State for Democracy, Human Rights and Labor: "I hardly sense a groundswell of political support for the notion of closing Guantanamo...We're committed to doing that but we cannot do it on our own."

Again according to Secretary Clinton: "...working with allies and partners is critical to solving some of the most pressing challenges of the 21<sup>st</sup> century."

Nowhere is this more accurately put into action than in the U.S. move to transform ASEAN+3, which was paving the way to an all Asian Community to an ASEAN+10 under American leadership. Washington claims to be defending the territorial claims of small Southeast Asian nations and warding off aggression by the Chinese dragon.

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<sup>9</sup> Secretary Hilary Clinton's Speech to the Council of Foreign Relations, September 8, 2010.

*The New York Times* on July 23 carried this headline: “Offering to Aid Talks, U.S. Challenges China on Disputed Islands.”<sup>10</sup> Then it went on to report: “Opening a new source of potential friction with China, the Obama administration said Friday that it would step into a tangled dispute between China and its smaller Asian neighbors over a string of strategically significant islands in the South China Sea... Secretary of State, Hilary Clinton speaking at an Asian regional security meeting in Vietnam, stressed that the United States remained neutral on which regional countries had stronger territorial claims to the islands. But she said that the United States had an interest in preserving free shipping in the area and that it would be willing to facilitate multilateral talks on the issue... The announcement was a significant victory for the Vietnamese, who have had deadly clashes in past decades with China over some of the islands. Vietnam’s strategy has been to try to “internationalize” the disputes by bringing in other players for multilateral negotiations.” Clearly Washington is trying to win over ASEAN in preparation for an alternate architectural proposal for 2011, when Jakarta will chair ASEAN, and President Obama will use the meeting to deliver the coup de grace of assuming the leadership of ASEAN.

Unmistakably in order to preserve American leadership and at the same time to prevent China from taking the leadership in the region, the US will go at any length to sow discord among Asian powers by opening up old wounds and resurrecting old territorial issues. Secretary Clinton has repeatedly promoted the proposition that Asians cannot resolve their differences peacefully and successfully without America’s role as the “impartial arbiter” or security guarantor. America’s hypocrisy can be easily discerned from Defense Secretary Gates statement: “Washington did not take sides in the disputes...but competing claims should be settled peacefully, without force or coercion, through collaborative diplomatic processes and under international law.” Speaking of international law, the American legislature did not ratify the UNCLOS, the very rules China and the other claimants agree to use to settle their differences. Moreover there is the International Court of Justice where claimants can go to seek settlement. The Vietnamese who welcomed the Clinton announcement are bewildered at America’s sudden benevolence toward them and bitter attack against the Chinese.

Evidently America is serving notice that even as it is facing a declining economy, it can continue to pursue its overseas involvements, through the offer of hard power or military force to its allies, partners, and multinational institutions to implement American foreign policy objectives in Asia. Correspondingly the move toward more sophisticated military weaponry, with greater dependence on the latest technology of surveillance and predator planes in place of US ground forces, is an adoption of the Nixon Vietnamization or principle of comparative advantage: Asian allies and partners ‘provide the people to die, while the US supply the weapons to kill.’ Indeed in the two recent developments involving North and South Korea, Japan and China, it was evident to political observers that “the US is re-igniting the cold and hot wars in Asia.”

No doubt the recent developments in the sinking of the Cheonan, a south Korean corvette, in the Korean peninsula, the subsequent US-South Korean naval exercise in the Yellow Sea and the China-Japan confrontation over the arrest of Chinese fishermen

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<sup>10</sup> Mark Lander, “Offering to Aid Talks, U.S. Challenges China on Disputed Islands,” *The New York Times*, July 23, 2010.

in the Diaoyu-Senkaku area, are clear illustrations of the US strategy of using Cold War allies and new partners to provoke China militarily. Any potential clash between North and both South Korea and the US could lead another war in the region, which would involve China. The clear American objective: the US will remain as the paramount power in Asia, while its allies are persuaded to pursue their indigenous interests within global interests under US leadership.

The same purpose can be inferred in the recent Tokyo-Beijing confrontation, Secretary Hilary Clinton had egged on Japan's new foreign minister, Seiji Maehara, to hold the Chinese ship captain, assuring him that "America's treaty obligation to defend Japan from foreign attack would include any moves against the islands where the Chinese Captain had been arrested." According to an American analyst, "In essence this is what President Obama and Hilary Clinton are saying to America's Asian allies, 'go on take those contested islands from the Chinese, if the Chinese fought back militarily, we will go to war against them.' It is America's treaty obligations to defend Asia against foreign attack." If the aims of American policy are granted, Secretary Clinton's assurance means that henceforth American bullets and nuclear bombs can only secure Japan's safety.

Unfortunately for Washington, Russian President Dmitry Medvedev took issue with Secretary Clinton's assurance that it is America's treaty obligation to defend Japan from foreign attack would include moves against islands that are being claimed by Japan. The Russian President went out of his way to visit the Kurile islands which are also being claimed by Japan, and when Japan protested, President Medvedev simply said that "Russia does not need any country's permission to visit its own territory." Surprisingly Washington did not reiterate its earlier assurance when Japan needed it most.

Opportunely the Japanese government followed its own appraisal and released the Chinese captain. Unfortunately for the U.S., the Japanese leadership had realized that if they yielded to American egging, they could be fighting America's proxy war against China. They understood that the American security umbrella no longer ensures peace but provokes war. The Japanese leadership saw that the security alliance could lead to the very dangers wrought by the Japanese imperial army during WWII of wasting Japanese lives, cities, and even destroy Japan's social, economic and political fabric.

Indeed in East Asia only Japan has seen in recent history such unusual turnaround of economic fortune under the U.S. global order. In the post-WWII Asian success story, Japanese products in electronics, cameras, cars, and heavy equipment have displaced American goods in the Asian and many European markets. Japan traversed one of the great speculative stock and property bubbles of all time in the 1980s. It was the first Asian country to challenge the long economic dominance of the West. Then when Japan bashing by American legislators started, the bubbles exploded in the late 1980s and early 1990s, and the Japanese economy went into an unstoppable degeneration that even gargantuan government budget deficits, zero interest, pump priming, or a discharge of easy money have been unable to reverse the descend. For a quarter of a century now, Japan is held in low growth and deflation. It appears that in view of worldwide economy downturn, the Japanese are beginning to understand that economic cooperation with an all-Asian community appears to be the most promising route to recovery for Japan.

Some observers believe that in view of the Diaoyu-Senkaku confrontation, “Japan and China now stand at ground zero, and the landscape is bleak, vast nothingness.” Yet trade and economic cooperation between the two countries in the past few years have proven that in foreign relations, there are many levels of engagement. Moreover, lessons of the past have given the Japanese and Chinese wisdom and new insights, and very likely they will let the lessons of history run their course in the future.

The Chinese for their part, throughout the confrontation, used soft power or economic power to talk their way into the release of the captain. There was not the slightest hint of flexing military muscle.

Tensions, diplomatic confrontations and frustrations over the contested islands in the region had arisen in the past, but the Japanese and Chinese leaders in the interest of preserving peace for development in the area had discussed their differences amicably. Lessons of the past have given Japanese and Chinese wisdom, and very likely they will let the lessons of history run its course in the future.

The Chinese for their part, throughout the confrontation, used soft power or economic power to talk their way into the release of the captain. There was not the slightest hint of flexing military muscle. What is clear from the latest round of actions is that the U.S. has been stoking tensions between China and the other Asian powers. Clearly part of the U.S. strategy in the reassertion of its leadership in the Asian region is to de-stabilize the region by restoring the propaganda issues of the Cold War and therefore destabilize its economic development and expansion. The U.S. uses every opportunity to provoke deeper crisis in Asia to show to Beijing that unless it accepts the US offer of junior partnership, the US will vex China with the use of its smart power, a combination of diplomatic, economic and military moves until China sees the American light.

On another level the U.S. also officially charged that China has been manipulating its currency. This was indeed the theme of President Obama’s speech at the recent G-2 meeting held in Seoul, Korea. President Obama put forward new rules for global economic relations, including limits for how much surplus or deficit a country’s current accounts of trade and capital could go — on the grounds that “excesses of one or the other lead to instability.” Obama also proposed the crafting of a more coordinated global currency policy, with China as the unstated but clear target. No doubt it is about China and its undervalued currency.

Unfortunately, all of Obama’s proposals were rejected. Of course the Federal Reserve’s announcement that it will infuse \$600 billion more into the US economy and at the same time keep interest rates at historical low levels did not help any. The Fed’s euphemism for this move is “quantitative easing.” In plain English it is called uncontrolled money printing. The unfortunate outcome of the infusion of \$600 billion into the U.S. economy is that it will not only affect China but all holders of the U.S. dollar. This led to Obama being lectured by leaders, from Brazil’s to Britain’s to China’s to Germany: The U.S., they said, could hardly call for currency reform elsewhere when it was itself devaluing the dollar to help American jobs and exports.



Clearly worldwide attitudes toward the dollar have shifted because the structure of the global economy is shifting. From the time of the Bretton Woods agreement in 1944 through to 2008, the U.S. was the world's most dynamic economy, its most significant military force and a beacon of free-market ideology. Now, it is still the lone military superpower but on other issues of importance, its model is being disputed. They charged that Obama conveniently ignored that President Ronald Reagan was one of the great currency manipulators of all time. He presided over two of the biggest currency interventions in history: the Plaza agreement, which devalued the dollar in 1985, and the Louvre accord of 1987, which brought this devaluation to an end. As Strauss-Kahn, President of the World Bank noted, "we shouldn't believe that all the imbalances in the economy today would be solved if the value of yuan was changed."

*Time Magazine's* Fareed Zakaria wrote: "On Sept. 29, the House of Representatives passed a bill with overwhelming support from both Democrats and Republicans. It would punish China for keeping its currency undervalued by slapping tariffs on Chinese goods. Everyone seems to agree that it's about time. But it isn't. The bill is at best pointless posturing and at worst dangerous demagoguery. It won't solve the problem it seeks to fix. More worrying, it is part of growing anti-Chinese sentiment in the U.S. that misses the real challenge of China's next phase of development. It won't solve the problem it seeks to fix. More worrying, it is part of growing anti-Chinese sentiment in the U.S. that misses the real challenge of China's next phase of development."

The fact is that the rules of global capitalism have changed irrevocably since many American financial institutions collapsed in 2008. As early as 1999 American Nobel Prize winners in economics themselves have declared that "structural problems with the United States rather than China's currency were responsible for the current difficulties facing the world's largest economy... and if the United States refuses to accept this, it will find its global leadership slipping away."<sup>11</sup>

Indeed *The New York Times* reported last October 3, Japan, Brazil and many other countries "have taken measures to devalue their currencies... the fact remains that the rest of the world is beginning to mimic the technique China has perfected: manipulating currencies for national advantage, while resisting political pressure from trading partners."

According to Michael Hudson, former Wall Street Economist and Professor at University of Missouri: "The great question in global finance today is thus how long other nations will continue to succumb as the cumulative costs rise into the financial stratosphere? The world is being forced to choose between financial anarchy and

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<sup>11</sup> See "Joseph Stiglitz: Defends Chinese monetary policy and more stimulus for U.S.," *Global News*, October 20, 2010. See also "Seven winners of the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel participated in the event. They were (with the year of their award and in order of their appearance at the forum): Robert W. Fogel, 1993; Robert A. Mundell, 1999; John Forbes Nash Jr., 1994; James Mirrlees, 1996; Edward C. Prescott, 2004; Clive W. J. Granger, 2003; Vernon L. Smith, 2002. There were joined by five other prestigious economists: Robert J. Barro, Edmund S. Phelps, Alberto Alesina, Michael Woodford, and Xavier Sala-i-Martin" reported in *Beijing*, June 15, 2006.

subordination to a new U.S. economic nationalism. This is what is prompting nations to create an alternative financial system altogether.”<sup>12</sup> William Holstein, a famous author of the book *In the Jaws of the Dragon* noted: “One school wants to believe that Japan is in trouble because it vindicates their ideology of free-markets and other aspects of the Anglo-Saxon form of capitalism that they espouse. Japan has failed because it didn't embrace their views. As a corollary, the only thing that needs to be done to get the American economy back on track is to "fix" the issue of China's currency. Then everything will be fine. (The debate about China's currency is so reminiscent of the debate about the yen.) In the final analysis, we all recognized that driving up the value of the yen did not really "fix" the Japan problem...” To Holstein, It's not just a question of getting China to fix its currency.” America has to realize “that many players in East Asia and South Asia, plus Brazil, have emerged onto the world stage, and that their arrival means the United States faces much stronger, more systematic competition than ever before. We must find ways to continue moving up the technology ladder, while easing our dependence on imported energy, improving our export capability and improving the skills of our workforce. This requires us to make our institutions perform better and more cohesively.”

In plain language: “America has been squandering money it borrowed from the Chinese. Instead of criticizing China's monetary policy, US President Barack Obama should acknowledge the financial skill being displayed by the new world power and learn a few useful lessons.”<sup>13</sup>

Zacharias Karabell of *Time Magazine*<sup>14</sup>, noted that at the latest G-20 meeting in Seoul: “No matter how much Obama says that he listens to others, the fact remains that Americans approach the world with an expectation that they will dictate the contours of international arrangements. That is no longer feasible. The U.S. cannot both reject the South Korea trade pact and then urge the world to follow its lead on global economic integration. Unless the U.S. addresses its own internal imbalances, the rest of the world will do what it is already doing: go it alone and implement solutions that don't depend on U.S. approval... The U.S. is by far the largest economy in the world. But unless it changes the way it interacts with others, it will find itself on the outside of a vibrant global economic system.”

The United States has a long record of thwarting rising challengers, on occasion accepting massive costs and risks to do so. America carried out this course of action as in the Korean peninsula, in Iran, in Vietnam, in the Gulf War, and in Iraq when it has been the wealthiest industrial center and the nation with the most powerful military establishment in the world. Even so, America's defeat in Vietnam should have imparted the lesson that the strongest nation cannot impose its unjust will on a determined people fighting for independence and against unjust war.

Unfortunately such attempts at hegemony have persisted to this day as in Iraq, Afghanistan and Pakistan, in the midst of America's economic downturn. As the

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<sup>12</sup> “Why the U.S. Has Launched a New Financial World War – and How the Rest of the World Will Fight Back,” *AlterNet*, October 12, 2010

<sup>13</sup> Gabor Steingart, “China Has a Plan, America Doesn't,” *Spiegel Online International*, February 18, 2010.

<sup>14</sup> *Time Magazine*, November 17, 2010

American media have repeatedly reported, despite the passage over \$1.5 trillion rescue packages, unemployment remains at 10 percent, and underemployment at 18 per cent for over a year now. Steven Horwitz, an American professor of economics wrote: “The total federal debt is nearly \$13 trillion, \$8.6 trillion of which is held by the public, with the rest held by government entities. GDP is something over \$14 trillion. That ratio of debt to GDP isn’t pretty... The CBO estimates that at the end of 2020 publicly held debt will be a staggering \$20.3 trillion—90 percent of GDP—with total debt being notably higher than that.”

The *Washington Post*, *The New York Times* and the *Los Angeles Times* reported that the U.S. has 310 million citizens; 239 million are one setback from economic ruin. 77 million Americans are living from paycheck to paycheck. 100 million are wondering how they are going to pay their bills. Worse, several states have declared bankruptcy of their treasury, where state governments have been forced to dismiss 30 percent of their teaching staff, police force, firemen, and city hall employees. Today according to a Gallup survey, 1 out of 7 Americans find it difficult to budget their weekly expenditure for food. The US Congressional Budget Office reports that by 2011 gross domestic federal debt will surpass 100% of GDP, the highest in US history. The only good news is for the 1 percent Americans who are “rolling around \$1.3 trillion dollars.”

It is difficult for Third World leaders to see why democracy and exercise of human rights are such a great prizes for their citizenry when 2.3 million Americans are behind bars or 1 out of 100 adult Americans are in jail. The US government has to spend \$5 billion a year for the upkeep of its prisoners.

Pepe Escobar a famous geo-political analyst compared China’s soft power to America’s hard power: “China’s economy is thirsty, and so it’s drinking deeper and planning deeper yet. It craves Iraq’s oil and Turkmenistan’s natural gas, as well as oil from Kazakhstan. Yet instead of spending more than a trillion dollars on an illegal war in Iraq or setting up military bases all over the Greater Middle East and Central Asia, China used its state oil companies to get some of the energy it needed simply by bidding for it in a perfectly legal Iraqi oil auction... Meanwhile, in the New Great Game in Eurasia, China had the good sense not to send a soldier anywhere or get bogged down in an infinite quagmire in Afghanistan. Instead, the Chinese simply made a direct commercial deal with Turkmenistan and, profiting from that country’s disagreements with Moscow, built itself a pipeline which will provide much of the natural gas it needs.”

The clear and present danger isn’t that America will go to war against China. It is, rather, that America would use enough allies and partners eager to give China problems that could delay its industrial development and thus impede its rise as an Asian power, and the formation of an all-Asian Community. America tries to destabilize China in anyway it can such as creating trouble in Tibet, Xinjiang and now over the territories in the South China Sea in the hope of making the country ungovernable.

The US continues to accuse China as aggressively posturing. Only a month ago, US Admiral Mike Mullen expressed concern over Chinese defense buildup saying China has made “fairly significant investment” in developing new equipment including satellites, aircraft and anti-ship missiles.

The challenge posed by China in security terms to the U.S. although it is not as deadly as conservative Americans want the rest world to believe, it is nonetheless an important cause for American concern. Despite China's yearly increase in defense expenditures to modernize its military establishment, it lags behind US in weaponry development and other metrics of military power by light years.<sup>15</sup> The US military has over 800 facilities or bases in more than 40 countries. It has 11 aircraft carriers that patrol the world. The US has 190,000 troops in 46 countries. The U.S. controls 70% of the world's arms market. The US has 99,295 people connected with US forces in Japan. The US spends \$250 billion dollars each year to maintain its global military presence. US budget deficit of \$1.75 trillion in 2010 does not include \$640 billion for pentagon's Afghanistan and Iraq operations. US defense budget of \$708 billion for 2011 is bigger than the combined budget total of the 35 countries that come under it.<sup>16</sup>

In comparison China's defense budget for 2011 is close to \$ 92 billion, an increase of 17% from the 2010 \$78 billion. China has no military bases outside its territories, since it opened up to the world. China has no aircraft carriers. China has depended upon the political-diplomatic and economic elements of national power to pursue its foreign policy objectives.

No doubt China has accepted US military paramountcy in Asia though it will not yield to American use of pressure to mold China in its own image. China has its own view about priorities in a democracy, which is peace and development in order to create harmonious societies.

Perhaps the most beguiling policy of the Obama administration is that while America's economy is declining, he and the Pentagon chiefs believe that America with large defense expenditure can simultaneously fight several wars and win on all fronts.<sup>17</sup> So far America has not won the war in Iraq or in Afghanistan<sup>18</sup>, and it might even lose Pakistan as an ally. Paradoxically as the strongest nation in the world, it cannot stop the drug war in its Mexican borders.<sup>19</sup>

It appears that Obama's greatest fear is that history will mark him as the President who presided over the end of the American Empire. His fear is that the 21<sup>st</sup> century would belong to others: to the calculating dragons of China, the software elephants of India, the busy tigers of Korea and ASEAN, and that America's children might not live as well as their parents. The fear isn't without justification. A few days ago *The New York Times* reported: "Polls show that not only are Americans increasingly worried that the United States will have a lesser role in the years ahead; they are more and more convinced that China will dominate. Just 27% of U.S. voters now think the United States will still be the most powerful nation in the world at the end of the 21st century, according to a March Rasmussen poll report. In a Pew poll conducted in April, 41 percent of Americans said

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<sup>15</sup> See *Quadrennial Defense Review Report* February 2010. United States Department of Defense.

<sup>16</sup> See "Debt, Deficits, and Defense: A Way Forward," Report of the Sustainable Defense Task Force, Cato Institute, June 11, 2010

<sup>17</sup> Carl Conetta, "An Undisciplined Defense: Understanding the \$2 Trillion Surge in Defense Spending," Project on Defense Alternatives, Commonwealth Institute, Massachusetts, U.S.A., January 18, 2010

<sup>18</sup> David Sanger, "Afghan Dateline Is Cutting Two Ways," *The New York Times*, July 21, 2010. See also Peter Baker and Mark Landler, "Setbacks Cloud U.S. Plans to Get Out of Afghanistan," *The New York Times*, June 14, 2010.

<sup>19</sup> Clancy Sigal, "America: Hooked on War and Getting Poorer," *The Guardian*, July 15, 2010.

China was the world's leading economic power, slightly more than those who named the United States." Much of the fear grew out of something more serious – an aging America, its ineffectual institutions, and its decaying infrastructure from roads to bridges, to ports, harbors and airports, the anatomical equivalent of arteries clogging up. Of course the American moment will not allow the Obama leadership the thought that under his watch America's place could be moved to the margins of a new world order.

The reality is, the rise of an all Asian Community is beyond American economic, political or military machination. Nor will a new Obama architecture of an Asia-Pacific Community, if ever it gets established at all, prevail. In Asia the desideratum is no longer security cooperation or economic cooperation; Asians believe that in the 21<sup>st</sup> century, the right to a peaceful environment, comfort, material and spiritual well being must be accorded to all Asians.

Conversely, the question of whether China could realistically expect to attain paramouncy in Asia is another matter. No doubt a China that remains engaged with the global economy has the *potential* to generate more economic and military power than any great power in history. But Beijing to many observers is also "coming of age in heavy strategic traffic." While America cannot impede the rise of an all-Asian community, nor can China automatically emerge as the leader and driving force in an all Asian Community. China's economic rise has not brought it close to the level of the global power of the United States. In economic terms, China is the world's largest economy after the United States. Nevertheless, the idea of an all Asian Community requires more than economic cooperation.

Most Asian leaders are still haunted, troubled, and obsessed by historical animosities such as territorial boundaries and ideological divergence which had led to the rise of misunderstanding, mistrusts, conflicts and wars. This explains why despite repeated attempts at unification by both the North and South Korean leaders they have not united. Indeed the success story of the European Union, which has been the subject of university seminars, forums on new regional architectures, should have led China, Japan, India, and South Korea to establish a common market or sign an FTA. These countries until now still fly into a rage over disputed territories.

Rhetorically Asian leaders see clearly the advantages of such an all Asia FTA. But it appears that they are deterred by long memories of past conflicts or even imagined betrayals. When China and India fought over Aksai Chin in 1962, it took them 25 years to renew their official relationship. India is inching toward a tighter military relationship with the United States. To spite China and to please the Americans, Japanese prime ministers visited the Yasukuni shrine and thus led the Chinese people to renew the call for Japan to apologize for the wartime atrocities the Japanese imperial army inflicted on the Chinese people. Japan and Korea fight over whether the territories in the East Sea and even the nomenclature of the sea. Koreans want the Japanese to compensate for sexual enslavement of Korean women by the Japanese occupation forces in Korea. Japan is still contesting Russian claim to the Kuril Islands. Many Southeast Asian countries have conflicting claims with China, Vietnam, and Taiwan over the territories and waters in the South China Sea. India and Pakistan are still fighting over Kashmir and Jammu.

In the realm of commerce, Asian countries have been mainly economic competitors. The more advanced economies compete head to head in the same export industries such as Japan and Korea, while these same economies are facing new competition from up-and-coming emerging nations China and India that are rapidly climbing up the economic ladder.

Indeed the growing economic power of China, has led the West to exploit the long memories in Asia, which has opened up old wounds, and past wrongs, and have led to the emergence of new tensions, even new confrontations. Distrust have made it possible for the US to merely raise the specter of Chinese or Japanese leadership in the region to alarm and create unease among the other emerging Asian powers. Unfortunately societies that cannot leave their past or make peace with former rivals cannot also move on to face new challenges. By tradition those who do not look back cannot look forward. But those who get caught in the past cannot craft new roles for themselves in a fast changing world.

Most trying of all is the obstinate unwillingness of many Asians to undergo considerable sacrifices at home in order to support official position with their neighbors, despite all the pronouncements that they have learned the lessons of history well. Contemporary Asian leaders gloss over this side of the Asian dilemma. Also overlooked are the more hopeful developments, that under conditions of peace, the dynamics of social, economic, and political change have been proven viable in most Asian societies.

The time of reckoning has come for Asians. Asian societies and politics have reached the juncture where the needs for cooperation are so great that the issues of poverty and economic development cannot be achieved readily without cooperation. No doubt the perception of Asians today are now sharper, they have a deeper understanding of the colonial tactics of divide and rule, as well as economic competition under a capitalist economic order. There is not a student, housewife, politician, or leader, who cannot list down their country's economic difficulties, ranging from hunger, poverty, unemployment, underemployment to the lack of shelter, educational opportunities, and health services to fight all sorts of diseases and ailments. And for which the peoples of Asia have paid the price of death and destruction. Rather than being given a "breathing space," they have been held back and even prevented from shaping their own destinies.

Asians have learned the lessons of Western oppression and risen above retribution or settling of scores. But Asians have not learned to live with the triumphs, danger and discomfort, the inevitable complement of new strength and responsibility.

The question therefore arises on which road will Asia take – economic development or political distrust? Will Asians let go of political differences, as the founding members of the European Union did in order to achieve a high degree of integration that brings great mutual economic benefits? Or will they hold on to old simmering tensions, the substance of Western divide and rule, and embark on new political contests created by the West that degenerate into conflicts that will spoil recent economic gains? It is no crime to be poor when poverty is the common condition; it is immoral when you belong to a remnant from which most of mankind has been able to liberate themselves. The hour of choice has arrived, with all the forewarnings and lessons of the past. Let us hope

that the choice will not lead once more to the tragedies of the past or let the unhappy past obtrude into the new vision of an all Asian Community.

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