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## Known unknowns Uncertainty about the future of the Asia-Pacific

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I would not say that the future is necessarily less predictable than the past. I think the past was not predictable when it started.<sup>1</sup>

—Donald Rumsfeld

### Executive summary

Today's Asia-Pacific is, by consensus, in a state of flux. For sixty years, the region's historic powers have been anomalously weak, leaving the US as the dominant power. But power relativities are shifting, and jostling for position is an increasing feature of the landscape. So far the fallout has been minor and there have been no major dislocations, not least because the scale of international trade and economic interdependence makes it in the interest of almost everyone to stay with 'business as usual' as far as is possible.

At the start of the second decade of the 'Asian century', it's instructive to look back to the corresponding point in the previous 'European century'. In 1910, the European strategic landscape consisted of a complex network of alliances and relationships between states that was—at least in retrospect—the final flourish of an age of empires and the twilight of European royal houses. But by 1950 the world had changed markedly: the security landscape had evolved into a bipolar stand-off

between the recently formed NATO and what was soon to become the Warsaw Pact.

This paper does not argue that the Asia-Pacific region today is analogous to the Europe of 1910. There are many political, economic and cultural differences, the two regions' histories to the present day are quite different, and the geography is on another scale. Instead, the point is that the future is more contingent and less predictable than is often supposed. The pivotal events of the 21st century might depend on factors that are currently only dimly perceived—or even on ones that are totally unknowable at present.

Of course, there are good reasons to assume that at least some elements of the future strategic landscape are predictable. For the purpose of formulating policies that have a multi-decade timeframe, it's neither helpful nor sensible to simply declare the future to be unknowable. But we shouldn't overestimate our predictive abilities—there's no way of knowing in advance what the most likely outcomes are.

Some things can be quantified, or at least modelled, such as the relative military power of two nations in a particular scenario. And that's enough to show that the Asia-Pacific region of tomorrow will necessarily be different from that of yesterday. The US now

has serious challengers stepping up—not on a global scale, but at least locally.

Recognising the limits of predictability, this paper identifies two broad futures for the Asia-Pacific. The key unknown is whether economic cooperation or strategic competition will take precedence. It's sometimes argued that the disruption of international trade that would result from a widespread war will either deter its outbreak, or at least cause the nations involved to end it quickly. That argument was also a popular one in Europe 100 years ago. Of course, just because the argument was wrong then doesn't mean that it's wrong now—but last century provides at least one example of the ability of states to collectively enter into extended conflicts that are profoundly inimical to their economic interests.

It's impossible to say which future is more likely, based on what we know today. Crises and dislocations can arise from seemingly inconsequential events. The best we can do is identify the broad outcome that's most in line with our interests and navigate towards it—recognising that there'll be some surprises along the way.

## Introduction

Whether explicit or implicit, there's always an element of crystal ball gazing in strategic planning. This is unavoidable: the decisions we make today rightly depend on what we think about tomorrow. Our best guess about the future often assumes a smooth extrapolation of the present, with current trends and relationships modified in essentially predictable ways by factors that are already visible. History shows the limitations of that approach.

Consider the strategic evolution of Europe from 1910 to 1950, a period of history replete with discontinuities of various types. Given the rapid and tumultuous (and highly

contingent) changes during that epoch, a strategist in 1910 would have displayed truly extraordinary prescience to predict the world that emerged forty years later. None did.

Nonetheless, history does provide some useful lessons, including on the causes of conflict and sources of national power. For example, few people were unaware of the risk of conflict in Europe in 1910; nor did the growing naval power of Japan in the 1930s go unobserved. Much about the future can be discerned from what we know today based on patterns from the past.

Strategic planners attempt to predict what's predictable, or at least to foresee the range of likely possibilities, while recognising that dislocations can occur, beyond which their foresight can't penetrate. Sometimes such events will be foreseeable in character, if not timing, as was the start of WW I in August 1914. Sometimes the events will be both unexpected and disjoint from strategic affairs, as occurred with the stockmarket crash of 1929 and the Great Depression that followed.

The goal of this paper is twofold. First, to examine a window of recent history—from 1900 to 1950—to learn what can be learned about the limits of prediction. Then, so armed, to cautiously look at what might be expected from our region in the years ahead. The paper concludes by outlining two possible strategic futures.

## The limits of foresight

### The European century

At the start of the second decade of the 'Asian century', it's instructive to look back to the corresponding point in the previous 'European century'. In 1910, the European strategic landscape consisted of a complex network of alliances and relationships between states that was—at least in retrospect—the final

flourish of an age of empires and the twilight of European royal houses. At the time, the US was a small player in the European security landscape. Russia loomed large over Eastern Europe and was tied to the western powers, principally through its alliance with France—an alliance designed to provide both with an insurance policy against aggression from Germany and the Austro-Hungarian Empire.

But by 1950 the world had changed markedly. The Central Powers no longer existed in anything like their earlier forms, the US had become the key security guarantor of western Europe, and Russia dominated the territories east of the Iron Curtain. So, by the middle of the century, the security landscape had evolved from a labyrinth of relationships between multiple players to a bipolar stand-off between the recently formed NATO and the soon-to-become Warsaw Pact (see Table 1). The Cold War was still in its early stages in 1950, but most of the elements that were to dominate the world for forty years were in place—mutually assured destruction would take a little longer, though the Soviets tested their first nuclear weapon in 1949.

The period from 1910 to 1950 was scarred by wars between great powers that had enduring impacts on the strategic landscape. This shows how quickly things can change when dynamic political, economic and technological factors conspire. In such circumstances, predictability is the first

casualty. In contrast, the forty years from 1950 to 1990 were much more stable from a military point of view and, at first blush, seemingly more predictable. But the period 1950 to 1990 was also a time of profound changes—the decolonisation of Africa and Asia and the emergence of neoliberal economic globalisation, to name but two.

In fact, any assessment of predictability—even with the benefit of hindsight—is complicated by the unknowable probabilities of alternatives that failed to eventuate<sup>2</sup> and compromised by the tempting but erroneous presumption that the events that actually occurred must necessarily have been the most likely.<sup>3</sup>

Generally, the future is difficult to predict beyond the ‘punctuation points’ of crises and revolutions (social, technical and ideological). The 1910–1950 period extends over several such points and was therefore essentially unpredictable in its entirety. Conversely, prediction is arguably possible in the epochs that intervene between critical events. The risk of WW I, for example, was eminently foreseeable and foreseen. Some elements of the war were even predicted in detail—in 1911, Churchill was able to predict to within a couple of days the culminating point of any future German advance.<sup>4</sup> What wasn’t predictable was whether, when and why war would erupt, and who would prevail.

**Table 1: Key European players and security relationships in 1910 and 1950**

1910	1950
Austro-Hungarian Empire	United States
British Empire	Soviet Union
France	NATO
German Empire	Warsaw Pact (from 1955)
Italy	
Ottoman Empire (in decline)	
Tsarist Russia	

Sometimes even small events can have major consequences. Turkey's alignment in WW I was the result of a series of relatively small events, beginning with Britain reneging on a deal to sell warships to Turkey, and ultimately coming down to the tactical decision by a British naval commander not to engage a German battle cruiser and its accompanying vessel in the Mediterranean in the early days of the war.<sup>5</sup> Had the German ships been intercepted, it's possible that Turkey would have stayed nonaligned—with implications not just for the conduct of WW I but for the subsequent evolution of Turkey as a post-Ottoman state.

Arguably, we face a future outlook as uncertain as that in 1910. We can broadly see where the driving factors are taking us and the risks that they entail. Analysts can estimate the current power balances—a task this paper returns to below—and even the outcomes of limited confrontations. What we don't (and can't) know is the nature and timing of the next discontinuity.

## 1910–1950: what happened?

It's almost too easy to observe that there were many revolutionary changes in the forty-year period between 1910 and 1950, but it's instructive to list some of the major changes nonetheless—if only to see the breadth of topics that need to be understood to explain the evolution between the two columns of Table 1.

The events and inventions of the period fall into four groups: strategic/military, political, economic and technological. In each category, Table 2 lists the more important factors that shaped the period. Note that many of the entries are interconnected—for example, the Treaty of Versailles was an outcome of WW I and a progenitor of the rise of National Socialism in Germany (and thus of WW II).

All of the factors in Table 2 were important elements on the road to the Cold War. Some were predictable, at least in principle. The structural problems in the Treaty of Versailles were known at the time<sup>6</sup>, and Marx's work had been widely circulated and admired long before the Bolsheviks took power in Russia. Other developments, however, would have required extraordinary powers of prediction.

But even the most predictable of the four categories, technology, shows the difficulty of foresight. Technological developments are *relatively* predictable. In 1910, the evolution of the submarine and aeroplane could be anticipated to some extent. After all, history showed that most engineering innovations (such as the steam engine) could be greatly improved upon. But it's doubtful that the pace and scope of change could have been appreciated.<sup>7</sup> The B-36 of 1950 was an intercontinental nuclear bomber with a wingspan greater than the length of the Wright brothers' first flight in 1903.<sup>8</sup> The use of radio waves to locate objects was first demonstrated in 1904, but in 1910 no practical radar could be built—it took another twenty-five years before an operational system could be fielded.

Although it was to transform the international order and the strategic calculus of great powers, nuclear energy was not foreseeable in 1910. Rutherford's experimental discovery of the atomic nucleus occurred only in 1911, and the neutron—central to an understanding of the chain reaction required for a nuclear explosion—wasn't observed until 1932. The potential for a nuclear explosion wasn't appreciated until a year later in 1933, and US politicians weren't alerted to the possibility until August 1939.<sup>9</sup>

That a list of the key events over a forty-year period can be created suggests that the course of history can be understood. We can now (largely) agree on what happened

**Table 2: Major events and innovations, 1910 to 1950**

Strategic/military	Political	Economic	Technological
State-wide militarisation	The Bolshevik Revolution	The Great Depression	The aircraft matures—from biplane to B-36
World War I	Dissolution of the Central Powers	Hyperinflation (Germany)	The submarine matures
Spanish Civil War	Treaty of Versailles	Keynesian economics	Radar and electronic warfare
Japanese inter war imperial expansion	League of Nations	Bretton Woods agreement	Widespread mass production
World War II	National socialism/fascism		Nuclear weapons
Collapse of WW II alliances after the conflict	Stalinism		Radio emerges as a means of military and mass communications
Communist victory in China	Decolonisation commences		Antibiotics
	US moves from isolationist to deep involvement (twice)		
	United Nations		

in the first half of last century and, within broad limits, on *why* things happened in many instances. This allows historians to retrospectively construct a coherent narrative incorporating the entries in Table 2.

But hindsight can be deceptive. As was the case with nuclear weapons, a number of the causative events in Table 2 were neither foreseen nor foreseeable; there was simply insufficient information available to anticipate those developments, let alone divine their consequences. And even if we were somehow omniscient, knowing all the potential technical, political, social and military developments that the future holds, the complexity of their myriad interactions makes prophecy difficult beyond modest limits. Predicting the future is intrinsically more difficult than explaining the past.

## Looking to the future

Having surveyed Europe's past to explore the difficulties of prediction, this paper can now turn its attention to the future of our part of the world. In this regard, the choice of the

period from 1910 to 1950 in the preceding section was no accident. The subtext that will emerge is the oft-quoted aphorism, 'Europe's past is Asia's future'. That is, just as the first age of global economic integration was brought to a catastrophic end when rising powers, entangling alliances, inflexible military plans and unmanageable flashpoints inflicted WW I on Europe, so too might similar factors in Asia conspire to bring to a close the second age of globalisation.

Yet history doesn't repeat itself (at best, it rhymes)<sup>10</sup> and much has changed since the early 20th century anyway—not least the advent of nuclear weapons—so it would be unhelpful to belabour a one-for-one comparison between the factors prevailing in the second decades of the 20th and 21st centuries. Instead, we need to look at what we face today.

## A Rumsfeldian approach

One way to think about the future is to break down the factors into 'Rumsfeldian groups'—known knowns, known unknowns and unknown unknowns.<sup>11</sup> Table 3 attempts

**Table 3: 'Rumsfeldian groups' of factors that influence the future of the Asia-Pacific**

Known knowns	Known unknowns	Unknown unknowns
History to this day	World economics—another financial crisis?	?
Animosities and distrust between countries	Globalisation trends—further progress or backsliding?	
Alliances and partnerships between countries	Political evolution of Asian states, especially China	
Current economic trends	The ability and will of the US to remain engaged in the Asia-Pacific	
Contested interests—Taiwan, Korea, South China Sea etc.	The extent to which changes of relative power will be contested	
Current demographic trends	Economic or social collapse in one or more states	
Orders of battle and current plans for force structures	Extent and impact of climate change	
Global and regional governance arrangements	Proliferation of military technologies, including weapons of mass destructions	
Human-induced climate change	Impact of new technologies—biotech, nanotech, robotics etc.	
	Catastrophic natural disasters, pestilence	

to list the factors that might play major roles in the evolution of the future regional strategic environment.

Every entry in Table 3 has been subject to scholarly analysis and media commentary—often by a great many writers. Surveying all that's been said and conjectured is far beyond the scope of this short paper, but a discussion of the key factors and their implications is possible.

### The changing balance

For the past sixty years, the security and stability of the Asia-Pacific have been underwritten by the benign hegemony of the US—not just through its system of alliances but also through its military disposition and willingness, on occasion, to fight. Perhaps even more critically, the US has provided assurances of extended nuclear deterrence to its allies, thereby simultaneously limiting proliferation and providing strategic balance to the region.

US allies, such as Australia, would like to see the US continue to play such a role into the indefinite future—not just because it's hard to conceive of how things might look absent the US, but because any alternative is likely to be considerably more expensive. US allies (and others) have benefited greatly, and at minimal cost to themselves, from the public good of security provided by the US.

But the arrangements forged at the end of WW II and revised after the Sino-US rapprochement in 1972 won't last forever. The security provided by the US has allowed countries in the region to prosper and grow at a prodigious rate. In particular, on current trends the Chinese and Indian economies are set to rival that of the US by mid-century at market exchange rates (and sooner still by purchasing parity power measures).

More so than any other single factor, changing economic relativities are transforming the region and upsetting the strategic status quo. Only time will tell whether the developing nations can continue on their present

growth trajectories—internal instability or a global recession could change things dramatically. But without those or other such discontinuities, there's no reason why China and India can't reach their economic potentials—just as Japan did in the latter half of the 20th century.<sup>12</sup>

We're now entering an era in which three Asian countries—China, India and Japan—are simultaneously strong for the first time, and in which the US continues to be both strong and strategically engaged in Asia.<sup>13</sup> That alone would make for an interesting development, but it's disingenuous to talk in generalities. The critical issue for the future of regional stability is the rise of China. While India is likely to grow to be a great power in economic and military terms in the decades ahead, geography largely disentangles it from the vagaries and complexities of great power contests in North Asia, unless it chooses to enmesh itself for reasons that seem, at least today, to be less than compelling. China's rise, on the other hand, already has it competing for local military pre-eminence against the US and is causing political recalibration among the nations of the region.

## Competitive pressures

All other things being equal, the shifting balance between China and the US would be sufficient to ensure competition. But all other things aren't equal, and the situation's likely to be more challenging as a result.

To start with, there are profound ideological differences between the two countries. Despite wholeheartedly embracing capitalism and international trade, China remains a one-party state with minimal political freedom and substantially less individual rights than the US. And although China appears wholly indifferent to how the US or any other country organises its internal politics, the US is far from agnostic—so much so that it doesn't hesitate to publicly reproach

China over the immaturity and illegitimacy of the Chinese political system.<sup>14</sup> Such ideological evangelism by the US can only undermine Beijing's trust in Washington's goodwill.

More serious still is the effect that the ideological differences have on Washington's response to China's rise. As long as Washington views China's polity as illegitimate, it will resist ceding power to China. Complaints by the US about China's lack of defence transparency—despite the apparent clarity of China's 2008 Defense White Paper—reflect, more than anything else, that the US simply doesn't accept the legitimacy of Chinese military power. The US seems at times to be as concerned with what China *is* as with what China *does*. So, for the US, maintaining a favourable balance of power vis-a-vis China isn't just a matter of strategy, but of moral purpose. As a result, on present settings, we're unlikely to see anything like the sharing and transitioning of power that occurred between the United Kingdom and the US from the late 19th century onwards.

Just as ideology provides the underlying context for the US view of China, history does the same for China's view of the West and Japan. History has left China's honour scarred. Its national narrative (carefully nurtured by the ruling Communist Party) is a peculiar mix of pride in recent achievements and past dynastic glories alike, and deep resentment of the injustices inflicted during the intervening years.<sup>15</sup> One doesn't have to spend much time in China before being lectured about the unequal treaties imposed by the West in the 19th century and the heinous crimes committed by the Japanese in the 20th. The lessons that China has chosen to draw from its history make it resentful and distrusting of others—even more so than those countries for which the bridle of colonialism was considerably tighter.

So where does this leave us? Rivalry between China and the US may not be inevitable, but without a fundamental change of attitudes it's certainly more likely than cooperation. After sixty years of 'leading the free world', as it sees it, the US is unwilling to cede ground to China, even when that ground is on China's doorstep. And even where some accommodation of China might be justified, the US will be reluctant to risk being accused of appeasement.<sup>16</sup>

For China, the mere presence of a western power in its strategic approaches is an affront that harks back to 'the century of humiliation' at the centre of its national narrative. While China was once willing to have its maritime approaches dominated by the US as part of a bargain to keep Japan and Russia contained, that time's quickly passing. And it's no secret: the Chinese Defense White Paper of 2008 noted that China was building forces to defeat 'strategic maneuvers and containment from the outside'. Recent failures by the US and China to reach an accommodation (or even to amicably accept each other's differing views) over the Korean Peninsula, arms sales to Taiwan or territorial claims in the South China Sea<sup>17</sup> are perhaps a taste of the competition to come.

## Liberal peace

The notion of strategic competition in Asia stands in stark contrast to the day-to-day reality of close and growing economic interdependence. China's trade with the world exceeded US\$2.2 trillion in 2009, including US\$366 billion with the US and US\$327 billion with Japan.<sup>18</sup> With so much at stake, the prospect of conflict must surely be minuscule?

One might hope so. Even a limited conflagration in Asia between two of the great powers would disrupt trade at enormous cost to the protagonists and those geographically and politically close to them. There's no doubt that an extended conflict

in Asia would put the global economy at risk, especially if energy supplies were disrupted. War is bad for business.

The encouraging fact is that cooperation has apparently replaced conflict as a business model. With the past sixty years of growing international trade as evidence, no Asian country could seriously believe that the prosperity of its people would be furthered through conquest. In all but the most unusual of circumstances, the opportunity cost of forgone trade would far outweigh the doubtful benefits of what might be seized by force of arms—even before the direct cost in blood and treasure is reckoned.

But an important distinction must be made. The fact that war is unprofitable only precludes wars launched for profit—a rare breed of conflict in recent history. Economic interdependence merely raises the cost of conflicts that might still be prosecuted for other reasons. This is no small thing. Given the spectacular increases in Asian living standards through globalisation over the past sixty years, no rational actor would fail to weigh heavily the economic cost of abandoning economic cooperation. For this reason, we should be heartened that economic integration continues apace in our region, as occurred earlier this year with the signing of the Economic Cooperation Framework Agreement between China and Taiwan.

Nevertheless, as WW I clearly demonstrated, economic interdependence provides no guarantee of peace. Countries tend to go to war either to preserve their honour or out of fear of what others might do, often irrespective of the economic consequences. We've no reason to conclude that today's leaders are any more capable of avoiding a stupid war than those of a century ago. The spectacular series of errors and miscalculations that accompanied the invasion and occupation

of Iraq stands testament to the limits of contemporary wisdom.

Even if that weren't the case, economic interdependence can be a two-edged sword. While it can encourage cooperation for mutual benefit, the gains from trade aren't always perceived to be fair or equal. Persistent grumbling from the US over the valuation of the Chinese currency is an example of how economic interdependence can be a source of aggravation. Eventually, the unsustainable financial flows that underpin cross-Pacific trade will have to be redressed—perhaps not in a manner pleasing to all concerned.

## The role of military power

In one way or another, military power balancing will play a role in our region's future. In this sense, military power involves the development of national military capabilities, military alliances or both, sufficient to shape and constrain the actions of others through the threat or use of armed force.

For a long time, the US was able to use military power in a range of potential contingencies in East Asia with—and this is critical—a limited risk to itself. As the military capabilities of China grow compared to those of the US, two things will happen. First, the potential risk to the US from conflict will grow. This in turn will erode the credibility of its deterrence. Second, the US will eventually be unable to deny China the ability to achieve its goals by force in certain circumstances. Geography dictates that this will occur long before China matches the US in economic size or total military power.

To many observers, the suggestion that the military might of the US could be challenged in any situation anytime soon is unthinkable. But history argues otherwise.

In 1905, Japan decisively defeated Russia on land and at sea. At the time, Russia's economy<sup>19</sup> was three times larger and its level

of industrialisation<sup>20</sup> thirty times higher than that of Japan, which had embraced industrial development only a little under four decades earlier (in 1868). But four things counted in Japan's favour:

1. Its supply lines were much shorter than those of its adversary.
2. Its adversary was forced to divide its attention on two fronts because of the risk of conflict in Europe.
3. Japan's interests were much more strongly at stake than Russia's.
4. Japan had equipped its armed forces with modern western weapons.

A similar story pertains in the American Revolution. In 1776, rebel colonists in North America wrested the most valuable colonial assets on the globe from Great Britain, despite having an economy less than a third its size.<sup>21</sup> Once again, four factors counted in the lesser side's favour. The first three were variations of the advantages that Japan had over Russia in 1905. The fourth was that the colonists used asymmetric tactics to frustrate the conventional military approach of the British.

Now consider a conflict between China and the US in the 'first island chain' sometime in the next twenty years. How do things stack up? Despite forward basing in Guam, Japan and Korea, the US is at an immediate geographic disadvantage, given China's ground-based missiles and numerous coastal airfields. At the same time, as a global power the US would be forced to divide its attention between Asia and other potential theatres of conflict.

As for the military technology available to both sides, the situation is less clear. What we do know is that China's already developing anti-access capabilities that are designed to keep the US at arm's length from key Chinese interests. Those capabilities include supersonic cruise and ballistic anti-ship

missiles, increasing numbers of conventional and nuclear submarines, and anti-satellite missiles with the ability to disrupt US surveillance and communications. While the effectiveness of these technologies is hard to assess from open sources, it's clear that the US is worried enough to be working to counter them under the auspices of a new 'air-sea battle concept'<sup>22</sup>, and at least some well-placed US scholars regard the Chinese developments as putting the US on 'the wrong side of physics'.<sup>23</sup> A recent RAND Corporation study suggests that the balance of conventional forces in the Taiwan Strait is rapidly moving away from the US.<sup>24</sup>

Notwithstanding the development of a new concept (and a wish list of yet-to-be-developed hardware to implement it), it appears unlikely that the US will make the investment necessary to retain what's termed 'military pre-eminence' in the region. In the years ahead, the ability of the US to sustain high defence spending will become ever more constrained by mounting government debt.<sup>25</sup> Instead, the natural way to reinstate a strategic balance will be to strengthen and extend alliances. The proposal that emerged under the Bush Administration for an 'alliance of democracies' or the concurrent Japanese proposal for an 'arc of freedom and prosperity'—centred on but excluding China—are examples of where this sort of thinking can lead. So far, neither of the two proposals has gained much traction, although the US continues to court India bilaterally and a formal or informal alliance with India to limit China's options remains a real possibility. The inherent danger with such a move is that it would echo history as experienced by China—albeit with containment by outside forces rather than the imposition of cantonments. This will reinforce distrust and encourage an escalatory investment in arms—as occurred in Europe in the decades before WW I and again after WW II.

In any case, it appears likely that as China's military power and strategic assertiveness grow in the years ahead, the risks and costs of continued US strategic balancing will grow in tandem. The critical question is: how much appetite for risk will the US have as the potential costs grow? Or, going back to the third point from the two earlier historical examples, how strong are US interests compared with China's?

In the case of China, we can have no doubt that it wants to be able to deny its air and maritime approaches to potential adversaries as much as we do. There's no lack of transparency on that point. It's as fundamental to China's self-defence as it is to ours, and it's inconceivable that China, as an emerging great power, would aspire to anything less. Just as importantly, the ability to deny China's approaches to adversaries is a precondition for the forcible reunification of Taiwan, an option it's long sought. Thanks to decades of propaganda, the Chinese regime's domestic credibility now rests on preventing Taiwanese independence.

In contrast, US interests in the region are neither immutable nor fundamental to US security. To put it bluntly, while the US would never countenance a power inimical to its interests controlling Canada or Mexico, the same is not true of Taiwan, Japan or even Australia. Current US alliances are an artefact resulting from the way WW II ended and the demands of the ensuing Cold War—events that are now firmly in the past. And although the US clearly has abiding economic interests in Asia, including the ability to trade freely, those interests could be assured well short of being able to dictate military terms to China in its own front yard. In fact, when it comes to economic interests, a 'catch-22' comes into play: armed conflict can be used to disrupt trade but is incapable of securing it.<sup>26</sup>

Ultimately, what keeps the US engaged in the region today is its peculiar sense of mission to lead the free world, a sense borne of the notion of *exceptionalism* that took it there for the first time in the closing decades of the 19th century—*manifest destiny* on a global scale. But such notions are perishable, as the two periods of US disengagement from world affairs in the early 20th century demonstrated. National interests are still the primary drivers of strategic choice, and if pre-eminence in Asia grows too expensive, America's self-defined destiny may take a more modest form.

It isn't that the US will become subject to the military-backed will of China, even in the long term. While the military balance will increasingly favour China in its local waters, the US will retain for a very long time a decisive advantage in theatres where China has to project power further afield. This is of critical importance (and some reassurance) to Australia. Nonetheless (and this is critical) the US may find it prudent—or necessary—to make concessions to China on some matters in the decades ahead. Indeed, it's difficult to conceive of the US playing the same role it does today in Asia thirty years hence.

The final factor to consider is the influence of nuclear weapons. It can be a mistake to talk about changing military balances without remembering that the use of conventional arms by nuclear powers is tightly constrained by the harrowing consequences of escalation to nuclear conflict. For example, the conventional military balance in Europe favoured the Soviets for decades, but they made no move into western Europe to take advantage of the situation. How the nuclear spectre will influence the evolving situation in East Asia is difficult to say. One possibility is that conventional military force will be held in check because of the risk of escalation. That is, the conventional military balance will become largely irrelevant (beyond constituting a

trip-wire), and the strategic status quo will be maintained, apart from negotiated changes.

Alternatively, conventional military force could be used in a high-stakes game of brinkmanship in an attempt to reshape the region. This would be a rational strategy only if the issue at stake were judged to be insufficiently important to the other side for it to risk an escalatory spiral that could lead to a nuclear response. Precedents aren't hard to find. In the 1980s, Argentina seized the Falkland Islands from a nuclear-equipped Britain, confident that the issue would be resolved by conventional arms (or that it mightn't be contested at all). In the 1950s, China judged correctly that the US would not exercise the nuclear option on the Korean Peninsula.

The asymmetry of interests held by the US and China in East Asia is critical to this calculus. Viewed this way, the conclusion is somewhat perverse: the stabilising influence of nuclear weapons is lower (and therefore the risk of war is higher), the less there is at stake from a US perspective. A similar conclusion can be made about the reliability of extended nuclear deterrence.

## Possible futures

Having explored the known factors likely to shape the strategic future of Asia, this paper now turns to look at what that future might look like. Naturally, all that follows comes with the caveats from the discussion above; we can't anticipate the contingent events that will in time form the history of the 21st century. At best, we can make some predictions of possible future dislocations, but can have no confidence about events that might follow them. There's no way of estimating the probabilities of different dislocations, which might themselves eventuate as the result of cascading events that are difficult to foresee. The prospective

future is an infinite range of possibilities repeatedly branching as we look forward in time.

So this paper confines itself to the broadest projections. Two broad paths could emerge, depending on the level of cooperation between the major players in the regional order. In each case, there are myriad details that could vary, as could the intervening steps taken to reach either of the two futures. The optimistic possibility is that Asia will evolve into a region in which cooperation trumps strategic competition—something akin to how Europe operates today. The more pessimistic possibility is that strategic competition will grow into mounting tensions and that Asia will face the same bleak prospects that Europe did a century ago. The two possibilities and their variations are explored below.

## Asia's future is Europe today

Despite this paper's somewhat dark assessment of the factors shaping Asia's future, it's entirely possible that things will turn out well. With wise leadership, the newly emerging powers of Asia could be smoothly accommodated into the regional and global system. But that would require significant concessions by all sides. Hugh White, in particular, has argued that the US should adopt a more conciliatory approach towards China.<sup>27</sup>

So how would Asia look in this scenario? Any suggestion that Asia could become a community along the lines of the European Union is unrealistic, at least for the next few decades. The drastically varied economic landscape of Asia would make economic integration impractical even before the vexed question of sovereignty—a very touchy point in this post-colonial epoch—came under serious consideration. Moreover, the European Union evolved out of a particular set of circumstances at the end of WW II that

thrust countries together in parallel with the development of NATO. The reality is that western Europe replaced competition with cooperation only after the bitter lessons and steep costs of two world wars and the galvanising presence of a common enemy in the form of the Soviet bloc.

A better analogy is the broader geopolitical situation spanning Europe and the Russian Federation today. Two old adversaries are now living side by side with what are mutually recognised spheres of influence. Disagreements arise from time to time—as when Russian forces moved into contested regions of Georgia in 2008 or when Russia uses energy supplies as bargaining chips—but the response from western Europe and the US is limited to carefully worded communiqués. The ongoing reduction in European conventional forces speaks volumes about the absence of substantive tensions over anything that might be described as a core interest by any party—so much so that NATO is now busy searching for a *raison d'être* in the stony ground of Afghanistan.

The transition from the Cold War to present-day Europe involved much more than an ideological shift in Moscow. Throughout the 1990s, Russia effectively ceded much of its strategic buffer (albeit from a position of weakness) to the western side of Europe. Not only did many former Soviet satellites join the European Union, they became members of NATO. On the other side, the US and western Europe today acknowledge (although with a hint of frustration) that Russia has a sphere of influence within which it has freedom to protect its perceived interests.

Some pundits believe that the solution to regional security and stability lies in a 'security architecture' centred on a regional institution such as the ASEAN Regional Forum or East Asian Summit. As plausible as that might sound, it puts the cart before the horse. If

there's to be a 'concert of powers' in Asia, it won't come about simply because a suitable multilateral institution exists. Rather, the key players in the region must first feel secure enough to resolve their problems through compromise. We're not there yet.

Perhaps a point will be reached at which each side sees it in its overall interest to make concessions to the other and strike a grand bargain (the rapprochement between China and the US in the 1970s is perhaps the most recent example). But the trouble with grand bargains is that they can require difficult and costly compromises, often at the expense of third parties. The 1938 Munich conference secured a temporary peace by surrendering Czechoslovakia to the Nazis. The Yalta Conference of 1945 secured peace in Europe by delivering Eastern Europe to the Soviets. Moreover, far from being the outcomes of long-nurtured diplomacy, those examples resulted from a scramble to avoid or end war. Arguably, therefore, if a grand bargain is to be struck in Asia it will more likely emerge from a region preoccupied with strategic competition than with cooperation. In this sense, things might have to get worse before they get better.

### Asia's future is Europe's past

The path to greater competition is well signposted. Military budgets will rise, alliances will be bolstered and expanded, and rhetorical positions will harden—all of which have begun. So where might the path lead?

The result won't be a Cold War but what might be termed a Warm Peace. The Cold War saw little trade between the two major blocs; today, global trade is too well established and economic interdependence too entrenched for China to be corralled away from global markets. Instead, trade will continue alongside strategic developments. The best analogy is of course the period preceding WW I, when, despite preparations for a major war, trade as

a proportion of European economic activity reached a level that wasn't regained until the 1960s.<sup>28</sup>

How the fault lines would appear is hard to say in advance. Today, the US could easily marshal the diplomatic support of most of the relevant countries in Asia in a stand-off against China. It's an easy choice between the benign hegemony of the US and the unknown quantity of an unconstrained and authoritarian China. But that might change if US resolve were to be perceived as wavering, which, in turn, might make China less willing to compromise.

What is clear is that, if a serious strategic competition emerges in Asia in the decades ahead, the US will expect a lot more from its allies than it does today—politically and militarily. The region would be held hostage to the happenstance of crises—events of perhaps limited intrinsic importance but upon which the credibility and resolve of protagonists are tested. Compared with Europe a century ago, Asia today is even more cursed with unresolved issues from which a crisis could develop.

Strategic crises can be resolved—or at least temporarily defused—by negotiation (Munich, 1938; the Cuban missile crisis, 1962), by force (WW I; the Falklands War, 1982) or by a combination of both (Berlin Airlift, 1948–49; Suez, 1956). But in any case, they can represent a dislocation—things won't generally be the same after as before. That means that our ability to look forward is radically constrained. One modest point can be made, however: it's possible that the great powers could muddle through. WW I wasn't inevitable and, with better communication (which we have today) and more adroit diplomacy, the war to end all wars might have been averted. And, despite numerous crises and proxy wars, the Cold War never erupted into outright conflict. It might even be the case that a crisis of sufficient gravity could force a grand bargain along the

lines discussed above—although that, too, would reshape the strategic landscape in unforeseeable ways.

## Conclusion

Up to the point where a crisis or unforeseen development intervenes, our region will be driven by factors that are apparent today. But even so, there's still a lot of uncertainty; the key unknown is whether economic cooperation or strategic competition will take precedence. It's impossible to say, based on what we know today.

However, for strategic planning purposes, it's enough to know that the range of possibilities includes a potential deterioration in regional security and stability. Deciding what that means for Australia's strategic posture, defence force and alliances is beyond the scope of this paper, except to note that we have a lot of work ahead of us.

## Endnotes

- 1 US Department of Defence, News Briefing 3 April 2003. Available at <http://www.defense.gov/Transcripts/Transcript.aspx?TranscriptID=2244>.
- 2 Philip E Tetlock, *Expert political judgement: How good is it? How can we know?*, Princeton University Press, 2006.
- 3 Richards J Heuer, *Psychology of intelligence analysis*, Center for the Study of Intelligence, CIA, 1999. See Chapter 13, 'Hindsight biases in evaluation of intelligence reporting'. Available at <https://www.cia.gov/library/center-for-the-study-of-intelligence/csi-publications/books-and-monographs/psychology-of-intelligence-analysis/index.html>.
- 4 Winston Churchill, *The world crisis*, vol. 1, Odhams Press, London, 1949, p. 42.
- 5 Barbara Tuchman, *The guns of August*, Random House, New York, 1962. See Chapter 10, 'Goeben ... an enemy then flying.'
- 6 With remarkable prescience, French Field Marshal Ferdinand Foch wrote about the treaty at the time, 'This is not Peace. It is an Armistice for twenty years.'
- 7 The dramatic developments in submarine and aeronautical design were not completely unheralded. Jules Verne described an advanced submarine in the form of the *Nautilus* (after which the US Navy named its first nuclear submarine), and HG Wells was well ahead of conventional thinking in 1913 in positing the delivery of 'atom bombs' from the air.
- 8 By some margin—the B-36 spanned 230 feet, while the first three Wright flights were 120, 175 and 200 feet, respectively.
- 9 The full story is told in Richard Rhodes's Pulitzer Prize winning *The making of the atomic bomb*, Simon & Schuster, New York, 1986. It is no coincidence that the first third of this book is also a history of the cutting edge of physics from 1890 to 1940.
- 10 This paraphrased quote is usually attributed to Mark Twain.
- 11 Donald Rumsfeld, press briefing, 12 February 2002. The full quote is: 'Reports that say that something hasn't happened are always interesting to me, because as we know, there are known knowns; there are things we know we know. We also know there are known unknowns; that is to say we know there are some things we do not know. But there are also unknown unknowns—the ones we don't know we don't know'. Though much derided, this is actually a useful construct that has a sound basis in decision theory and philosophy.

12 Mark Thomson, *The human tide: an Australian perspective on demographics and security*, ASPI, June 2009. Available at [http://www.aspi.org.au/publications/publication\\_details.aspx?ContentID=218&pubtype=5](http://www.aspi.org.au/publications/publication_details.aspx?ContentID=218&pubtype=5).

13 Rod Lyon and Christine Leah, *Global jigsaw: ASPI's strategic assessment 2008*, ASPI, October 2008. Available at [http://www.aspi.org.au/publications/publication\\_details.aspx?ContentID=186&pubtype=1](http://www.aspi.org.au/publications/publication_details.aspx?ContentID=186&pubtype=1).

14 The Bush Administration's 2006 National Security Strategy (pp. 41–42) is a good example of the high-handed tone that the US has taken towards China's authoritarian system of government.

15 China's national narrative is not only apparent in the frequent historical references made in official statements but is also obvious in the museums of Beijing and the country's epic cinema.

16 Paul Kennedy, 'A time to appease', *The National Interest*, July–August 2010. Available at <http://nationalinterest.org/article/a-time-to-appease-3539>.

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19 Angus Maddison, *Statistics on world population, GDP and per capita GDP, 1–2008 AD*, available at <http://www.ggdc.net/maddison>.

20 We use as a proxy measure for industrialisation the level of iron and steel production. *National Military Capabilities Database*, Correlates of War Project. Available at [www.correlatesofwar.org](http://www.correlatesofwar.org).

21 In 1820, the United Kingdom's GDP was 2.9 times larger than that of the US, and in 1816 iron and steel production was 3.4 times higher. Given the rapid growth in the US, the ratios will have been higher still in the 1770s. (Data taken from references 17 and 18).

22 Quadrennial Defense Review 2010, US Department of Defense. See 'Deter and defeat aggression in anti-access environments', pp. 31–33. Available at <http://www.defense.gov/qdr/>.

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25 Mark Thomson, *Trends in US defence spending: implications for Australia*, ASPI, March 2010. Available at [http://www.aspi.org.au/publications/publication\\_details.aspx?ContentID=245&pubtype=1](http://www.aspi.org.au/publications/publication_details.aspx?ContentID=245&pubtype=1).

26 This theme will be explored further in a forthcoming ASPI publication on the nature of sea power in the 21st century.

27 Hugh White, 'Power shift: Australia's future between Washington and Beijing', *Quarterly Essay*, 39, September 2010.

28 Bob Sutcliffe and Andrew Glyn, *Measures of globalization and their misinterpretation*, tables 1 and 3, 2003. Available at [http://www.countdownnet.info/archivio/analisi/world\\_economy/462.pdf](http://www.countdownnet.info/archivio/analisi/world_economy/462.pdf).

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