The Chinese Dream: Does it Challenge East Asia’s Peace?
By Börje Ljunggren

When China launched its economic reforms more than 35 years ago, Deng Xiaoping’s admonition was for the country to bide its time and keep a low profile, a strategy aimed at allowing Beijing to focus on economic development.

But under President Xi Jinping, China is focusing on realizing the “Chinese Dream,” a nationalist agenda that has the potential to threaten the long peace in East Asia, writes former Swedish ambassador to China, Börje Ljunggren.

WITH ALL THE ATTENTION being given to China’s growing power and assertiveness, it is easy to forget that China has not been involved in armed conflict with any other country since brutally trying to “punish” Vietnam in the beginning of 1979, except for border skirmishes with Vietnam that ended in 1988. Despite the ongoing global power shift and a considerable number of serious unresolved conflicts, the annual number of battle deaths in East Asia has, in fact, fallen dramatically since 1979. After having suffered 80 percent of all global battle deaths during the Cold War period 1946-79, East Asia has basically been enjoying “a long peace.” Can this peace continue?

The main challenge is the growth in China’s relative power. Until recently, the power shift was primarily a story of how China was catching up economically. In recent years, China’s military expenditure has, however, begun to assume significant proportions. The region appears to be undergoing a shift from the story of an “economic Asia” to the story of a “security Asia,” where nationalism, territory and identity, not only in China, are resuming some of their historical roles. The launch in 2012 of President Xi Jinping’s “Chinese Dream” amplified this change — with grains of hubris. National modernization and order — remain China’s top priorities, but the country is, at the same time, becoming an increasingly “restless power,” asserting its national interests while facing growing internal challenges.

Xi’s China clearly considers the time ripe for an international role beyond Deng Xiaoping’s cautious, 24-character slogan that expressed a strategy of biding time and maintaining a low profile. Deng was focused on the need for China to “catch up,” economically. Now, China is ready for a larger role. Can it play that role peacefully?

THE DREAM OF GREAT REJUVENATION AND STRENGTH
The idea of China’s renaissance invoked by Xi is far from new. It can be traced back to the First Opium War and the implosion of the Qing dynasty. The ideas of rejuvenation and humiliation — the latter should “never be forgotten,” which were key to the thinking of China’s nationalist leaders Sun Yat-sen and Chiang Kai-shek, are deeply ingrained in Xi’s mind. His “Chinese Dream” is clearly something larger than the visions of all other Chinese leaders since Mao. China, with its unique civilization, is predestined to go its own way, under the equally predestined leadership of the Chinese Communist Party. When the party in 2021 celebrates its centenary xiaoqiang, the goal of relative all-round prosperity should be reality and “in 2049 when the People’s Republic marks its centenary, the dream of the rejuvenation of the Chinese nation will be realized.”

The improved well-being of the Chinese people remains central, but there is a markedly growing emphasis on power, on the “dream of a strong defence” and on safeguarding Chinese interests. The 70th anniversary celebration of the victory in “the Chinese People’s War of Resistance against Japanese Aggression and the World Anti-Fascist War” was a striking illustration of this. A range of new weapons, including “air-carrier killer” missiles, were paraded on the Peace Avenue, manifesting Xi’s status as undisputed strongman. China would never be “haggling about its sovereignty.”

Xi also announced a reduction in the size of the People’s Liberation Army (PLA) by 300,000 troops from today’s 2.3 million. The reduction is, however, a necessary part of the PLA’s modernization. China’s Asian neighbours could not but ask themselves whether China was aiming for a Pax Sinica, with itself as regional hegemon.

In his ambition to strengthen the legitimacy of the Party, Xi has further elevated nationalism to the core of Party ideology. For years, China’s government had described the Kuomintang Nationalists as enemies of the people who did little to defend China. Credit for the war effort went to the Communist Party alone, and more specifically to Mao, even though the Communist side suffered only one tenth of the losses of the Kuomintang. Criticism of Japan’s aggression was secondary to the demonization of the Nationalists. Now, the historical role of Chiang Kai-shek’s Nationalist Army is recognized in Beijing. The question that emerges is whether the Chinese Dream can motivate an increasingly nationalistic China to undertake moves that threaten regional peace, or provoke others to do just that.

GRAND DESIGNS AND ECONOMIC DISCONTINUITY
Developments on the global scene have reinforced China’s self-image. At the same time, the Chinese economy is showing serious signs of discontinuity, creating a new sense of uncertainty about where China is heading.

In the spring of 2015, Beijing’s Asian Infrastructure Investment Bank (AIIB) initiative was on everybody’s lips. Close to 60 countries had signed up, despite serious efforts by the administration of US President Barack Obama to urge its allies stay away from it. The UK, the US’s foremost transatlantic ally, led the pack, without ever putting the matter on the EU agenda. For Washington, it was a major debacle; for Beijing, a rare soft-power success. Philip Stephens of the Financial Times concluded that “now China starts to make the rules.” Already in 2014, the BRICS countries — Brazil, Russia, India, China and South Africa — launched the New Development Bank,
whether China succeeds or fails during years to come. in the forthcoming 13th Five-Year Program, the “new normal” can be expected to match in the market. Without the transformation of the Chinese economy, there would have been no real foundation for the dream of national rejuvenation. China’s gross domestic product (GDP) has grown from 3 percent of US levels at the time reforms were launched in 1978 to one quarter, exceeding the US total in terms of purchasing power parity. Whether China succeeds or fails during years to come is therefore of crucial global importance.

Right at the time of the global financial crisis, China generated no less than 40 percent of global growth. Still today, China is responsible for more than one quarter of Asia’s growth. China generated no less than 40 percent of global growth. The economy has, however, become the country’s biggest dilemma, as the unsustainable Chinese growth model is running out of steam. In the forthcoming 13th Five-Year Program, the “new normal” can be expected to be lowered to a “moderately high growth” of 6.5 percent per annum, a rate that still cannot be sustained without comprehensive reforms.

Shortcomings that are deeply rooted in the political system were revealed when the stock market bubble burst in the summer of 2015. The leadership’s arbitrary, dirigiste interventions to stabilize the market was a dramatic illustration of how the engine works, as Beijing met its match in the market.

The real economy is at an impasse after years of exceptional investment-driven growth. The low allocative efficiency in the economy was becoming increasingly evident as huge overcapacity was created in sectors such as steel and cement, dominated by vested interests. Returns on investments tumbled. Since 2011, additional capital has been the sole source of extra output, with the contribution to growth of total factor productivity near zero. The debt overhang has risen to 285 percent of GDP.

China is trying to effect a hugely difficult balancing act between short-term growth and long-term stability. The Chinese toolbox, however, is far from empty, and further economic reform will follow. The nature of the political system is the real long-term constraint. A crucial question coming to the forefront is whether an institutionalized market-driven economy is compatible with the growing concentration of political power, and the nature of decision-making in the party-state.

Politically, Xi’s China is not in transition. His overriding ambition is to develop a unique Chinese blend of party-state and market. For the East Asian Peace, it means a less predictable China. Political power comes first.

**THE CHINESE DREAM: INCREASING THE STAKES FOR REGIONAL PEACE**

The world is witnessing a significant power shift as China and other emerging economies are rising. Washington’s “unipolar moment” that emerged after the collapse of the Soviet Union has passed. The global system is bound to remain fluid for years to come, with no stability in sight.

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National modernization is China’s foremost priority, and the country’s arms expenditures are still only around one third of US levels. They can, however, be expected to continue growing in the range of 10 percent a year, with naval power a priority, as the country moves from a focus on territorial defence towards the development of offensive capabilities in East Asia and beyond.

As the regional security balance shifts, Chinese restraint becomes an increasingly vital issue.

The situation in the South China Sea is of most immediate concern, given China’s increasing tendency to “create facts on the ground.” Constructing artificial islands while upholding huge and poorly defined maritime claims on the basis of boundary lines inherited from Chiang Kai-shek’s Nationalist regime creates an inevitable sense of insecurity among China’s South-East Asian neighbors. China is taking calculated risks, but might underestimate US resolve and create incidents that develop their own momentum. Accidental military confrontations could become a serious possibility. China is squandering an historic opportunity to build a Sino-ASEAN relationship based on trust.

Sino-Japanese relations are comprehensive but distrustful, and are bound to remain complex, loaded with unresolved historical issues and the intractable territorial conflict between China (and Taiwan) and Japan over the Senkaku/Diaoyu islands in the East China Sea. Both countries have a lot to gain from enhanced cooperation, but competing nationalisms will keep the drama unfolding.

Japanese Prime Minister Shinzo Abe’s reinterpretation of the Japanese Constitution, decided in September 2015 and welcomed by the US, was explicitly justified with reference to “challenges such as from a rising China.” Maintaining the East Asian Peace is becoming increasingly demanding, and so is the US role as security provider, as Sino-Japanese competition for influence grows.

How Sino-US relations develop is of decisive importance. A number of influential Chinese as well as Western realist scholars tend to regard strategic competition and conflict between China and the US as inevitable. Yan Xuetong even sees it as a zero-sum game. According to John Mearsheimer, “China and the United States are bound to be adversaries as China’s power grows … with the ever-present danger of great-power war hanging over them.” Still, only an “ever-present danger.” Joseph Nye’s thesis that China, given its own
challenges, “has incentives for restraint” is recognized. Nye concludes that the US has more time to manage its relations with a rising power than Britain did a century ago, which gives the East Asian Peace important breathing space.¹¹

For both countries it will inevitably mean huge challenges to manage a relationship that is bound to chronically suffer from lack of mutual trust. The US must learn how to pursue a non-hegemonic superpower role. For China, the ultimate test of its capacity to rise will be its ability to show the restraint required to rise within an increasingly interdependent global system. Within that system, China is an indispensable power.

Cyber security and the South China Sea were high on the agenda during Xi’s visit to Washington in September 2015, as was deepened climate change co-operation. Could global governance prove to be the “missing glue” in the relationship?¹² They did pull in the same direction at the Paris Climate Conference, even though China, responsible for more than a quarter of current CO₂ emissions, fell short of funding green energy and insisting on “differentiated responsibilities.” A new awareness of his country’s economic vulnerability and dependence may have deepened Xi’s sense of interdependence. It was significant that Xi agreed to develop US-Chinese military contacts.

Still, despite deep interdependence, Sino-US relations appear bound to evolve in a competitive context of strategic distrust, lacking a mutual understanding of strategic intentions.

A fundamental difference between China and the US is that China, even though it is the largest trading partner of more than 100 countries, still remains a lonely power without allies, but not without spheres of influence, while the US has more than 50 allies including Japan and South Korea, immediate neighbours of China.¹³ Hence the relationship is deeply asymmetric. Still, despite its pivot to Asia, the credibility of the US presence is doubted and a sometimes politically autistic China may, mistakenly, regard the US as an “East Asian paper tiger.”

Very much depends on how China develops. The Chinese Dream deepens prevailing uncertainties. At the same time, for years to come, Beijing will be busy with its own modernization and profound internal challenges, tasks that assume a peaceful external environment. Chauvinistic dreams inspired by an imagined past face the immediate realities of the developmental state. Vladimir Putin’s blunt aggressiveness may fascinate Beijing, but China’s global interests are of a completely different magnitude, constraining adventurism.

A crucial fact is that the Chinese leaders themselves, while assertive, seem to have a deep sense of uncertainty about where China is heading. Much depends on China’s own behavior, on whether this restless power will be able to show the necessary restraint, but the preparedness and ability of other countries to engage China is also very important. The way to uphold regional peace is to further raise China’s stakes in global interdependence, and facilitate rather than constrain its modernization.

No country has profited as much from globalization as China, and its forthcoming presidency of the Group of 20 (G-20) nations will be a test of its preparedness to shoulder greater responsibilities at a time of global economic uncertainties. A vibrant China increasingly integrated into the global economy and the global system will offer the best chance for East Asia to remain peaceful.

The East Asian Peace is fragile and China’s rise and the Chinese Dream are increasing rather than reducing its fragility. China has the capacity to shape or undermine the East Asian Peace.

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