

The rise of China: Implications for Sino-PNG relations

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Abstract

It appears that the peaceful rise of China is calculated by other countries, especially the West as a potential threat in the international system. In essence, China is not a threat as perceived. China is a developing country only making waves to restore her lost pride after being materially defeated, humiliated and shamed by the West and Imperial Japan in pre-modern East Asia. China accepted Western norms and aggressively integrated into a US-led liberal order. Its peaceful rise to global prominence is an opportunity for developing countries such as Papua New Guinea (PNG) to maximize their national interests. Chinese expansion and influence in the region will shape PNG's geo-economic and geo-strategic positioning in jockeying towards middle income economy status in the region. Shifting foreign policy with the shift in power is a strategic choice for PNG. China is an important economic and strategic partner in PNG's drive towards modernization.

Key Words: China, PNG, peaceful rise, china threat, cooperation, strategic choices

Introduction

It appears that the peaceful rise of China is calculated by other countries, especially the West, as a potential threat in the international system. In essence, China is not a threat as perceived. China identifies itself as a developing country with intent to restore her lost pride after being materially defeated, humiliated and shamed by the West and Imperial Japan in pre-modern East Asia. China accepted Western norms and aggressively integrated into a US-led liberal order. China's ascendance in the 21st century is a geopolitical and geo-economic opportunity for Papua New Guinea (PNG).

I attempt to explain the rise of China and its implications for Sino-PNG relations focusing on geo-economic and geo-strategic dimensions. In analyzing this phenomenon, it is logical to frame it within the context of Sino-US foreign policy in Asia-Pacific under the present US-led liberal order premised on the fact that Sino-US foreign policy is and will be shaping the regional political and economic landscape. More interestingly important is that China's rise is facilitated by the US regional hegemonic leadership. Hence PNG's foreign policy behaviour will be shaped by the political and economic interactions of China and US in the region.

Peaceful rise of China

The rise of China after the end of the Cold War questions the triumph of liberalism. It appears that China's rise is an explicit manifestation of maintaining the balance between modernization and identity in globalization. However, as China becomes more increasingly dominant and influential in global politics and economics, this may also be perceived by others as a potential threat and thus constructing a *security dilemma* in the region.

China's economic reform and integration into the global political economy

Sacks and Woo (2003) accentuate that China is now in the midst of three historic economic transformations: transition from a planned economy to a market economy; economic development from a largely subsistence peasant economy to an industrialized economy with a modern service sector; and economic globalization from autarky to an important node within the global production network. The economic reform of China began in 1979 under Deng Xiaoping. Deng pursued an 'open door policy' from Mao's 'isolation policy' employing a hybrid model of a socialist free market. The reform focuses on international trade and privatization of all state-owned enterprises.

The Chinese state-led economic development model was the brain child of Deng Xiaoping. Under his leadership, Deng instituted economic reform through two major phases. The first phase was set in 1978-1990 focusing primarily on *household rights de-collectivisation* in rural areas followed by establishment and development of *coastal economic zones* in urban areas, in particular coastal regions beginning with Guangdong and Fujian. The state also introduced **FDIs**, private business, and a dual pricing system which is a shared pricing mechanism between state and private business enterprises.

In 1990, six special economic zones were established including the Shanghai Pudong zone, specifically designed for attracting foreign capital. The government supported agriculture through creation of contract responsibilities. In this special arrangement, farmers could sell their commodities abroad with an aim to finance China's modernization agenda.

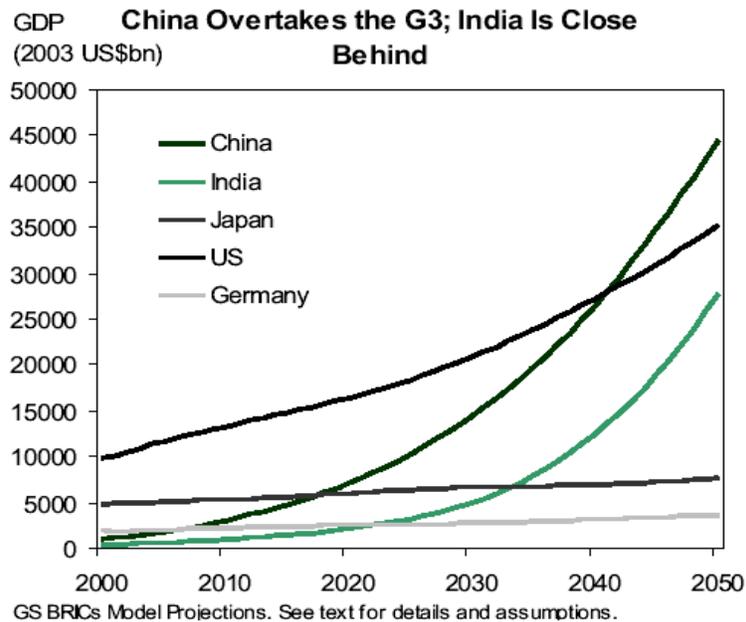
Between late 1980s and early 1990s, the focus was on creating a pricing system using a dual tracking system and increasing the role of the state in resource allocation. The government diversified the market economy for private enterprises and foreign capital by reducing state monopoly. The market economy was left to *invisible hands* to influence economic patterns in driving the economy under a state supervision framework.

From 1990-2000, the state embarked on *decentralization of state owned enterprises*, which was then consolidated by the *Deng Southern Tour*. By the late 1990s, the government focused on reforming unprofitable state enterprises and banking system insolvency. State-owned enterprises and banks underwent a rapid transformation promoting *effectiveness and efficiency*. From Deng to Jiang Zeming, the focus was still on Deng's reform agenda, whilst Hu Jintao's regime

in the 21st century focused primarily on *domestic development and harmonious society*.

In the genesis of the reform, there were political factions and disenchantment with Deng's strategy. Almost all political leaders remain confused with the new trajectory of development in the post-Mao period. Given this political stalemate, then, Deng brilliantly pursued a pragmatic and incremental approach beginning with the agricultural reform with an aim to maintain the current system with Chinese characteristics to minimize critics.

The model proved highly successful with China's economy taking shape in the 1990s by overtaking, France, Germany, and recently Japan as the second largest global economic power. China is now considered as one of the five leading emerging industrialized economies called BRICS, which constitutes Brazil, Russia, India, China and lately South Africa. Most see China as the leader and mouthpiece of the Third World through BRICS to promote equality in the dichotomy of the North-South Divide.



Is China a Threat?

China's rise has been controversial and subject to intense critical debate on whether it will be a benevolent or malevolent power in the future. It is argued however, that the Chinese rise is peaceful premised on its cultural and Confucian philosophy. This begs the question of whether China's rise will affect its relation with PNG.

China's foreign policy towards Pacific Region

China's national interest expressed through its foreign policy is to attain a *peaceful great power status* through economic development in the international system without upsetting the 'rules of the great power game'. Her foreign policy is premised on the philosophy of national strength driven by economic power and strong leadership guided by *five principles of peaceful co-existence*. The principles are:

1. Mutual respect for each other's territorial integrity and sovereignty
2. Mutual non-aggression
3. Mutual non-interference in each other's internal affairs
4. Equality and mutual benefit
5. Peaceful co-existence.

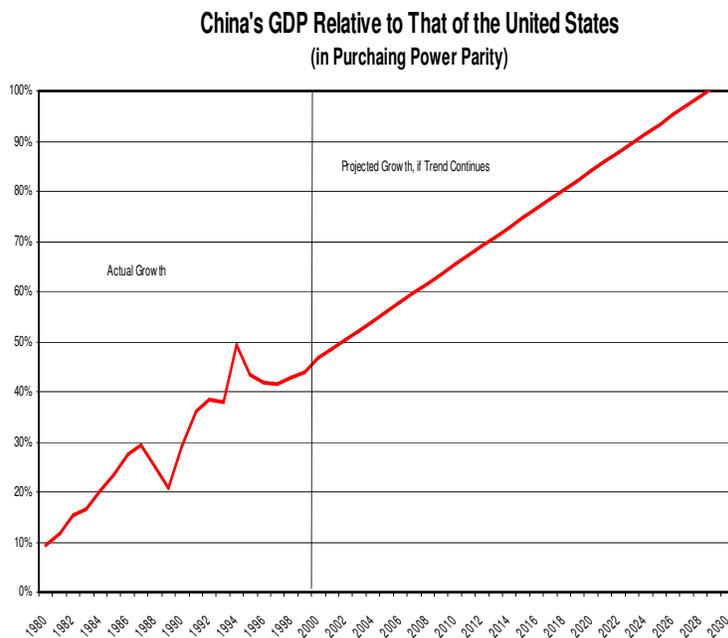


The main objective is to project and build soft power diplomacy with more concentration in developing countries to share its wealth, experiences and promote peaceful and harmonious society. China does not intend to become a hegemony nor pursue an expansionist policy in the region or globally. One of the main reasons in China's peaceful rise is the role of her foreign policy in facilitating economic advancement and prosperity in developing countries. Today, Africa is China's largest developing country partner followed by the Pacific, Latin America and others. Already there is a shift in global power from the West to the Asian region, especially within North East Asia with the rise of China. Almost all scholars have generally described China as the 'centre of gravity' in the new Asian hemisphere attracting foreign investments.

The collapse of the Cold War saw the triumph of capitalism constructing a new US-led liberal order. Others also perceive it as the emergence of a new wave of globalization as described rightly by Thomas L. Friedman; the winner of the 2007 Financial Times/Goldman Sachs Business Book of the Year entitled *The World is fFlat: The globalised world in the 21st century*. Hence, it is argued China's ascendance in the international system is a result of US hegemonic leadership in the region.

China, after years of isolation and humiliations from the West and Imperial Japan, reopened its door to the international community and aggressively integrated into the new order in the late 1970s under a socialist manifesto. The Chinese model as a rising power is manifested in its hybrid framework of development, a model that underpins a balance between socialism and capitalism with its own characteristics. Yet seen as paradox, the liberal order provided the stimulus for its sudden rise to attain global prominence. The US, as a regional hegemony, provided public good under the liberal order, which greatly helped in shaping China's rise.

Today, China is the second global economic power superseding Japan in 2009. The economy is currently growing rapidly relative to that of the US at a growth rate of 9.1 per cent. China is now the largest consumer and exporter of US.



The Pacific region is an important Third World region in which China establishes its own identity. Chinese foreign policy towards the Pacific region is aimed at sharing its development experience and wealth through mutual cooperation.

However, the peaceful rise of China has been highly controversial in geopolitics. Western powers, especially the US, perceive China as a revisionist state which has the potential to challenge its status quo. Moreover, its jockeying towards great power status through its military modernization has left western powers wondering whether it will return to its tributary system under the Sino-centric order and construct its own new international political economic order with its own Beijing Consensus. Sino-centric order is a system constructed by China as a Middle Kingdom during the pre-China period. In the system, China acts as the only central potent power and all neighbouring states pay tribute to the emperor in return for recognition and wealth. China does not pursue expansionism by interfering into these states as long as they recognize the status quo. In this organizing principle of central leadership, peace and stability was maintained in East Asia until European intervention in the late 19th century. Beijing Consensus is a term used by political scientists and economists to characterize the Chinese state-led economic development model based on its own characteristics. This misperception has constructed a security dilemma in the region.

Misperception of a ‘China threat theory’

There are several reasons why China is not a threat in the Pacific region. First, China is a developing country with huge internal problems to solve. Poverty and corruption are the greatest challenges. In December 2010, President Hu Jintao, when launching the new Five Year National Strategic Plan, announced to focus more on sustaining domestic development and soft power diplomacy. Second, geo-strategically, China is still no match for the US as a great power. China is only a rising regional power and not a global or great power. Although China is rapidly building its strategic capability, it does not necessarily predicate as a challenger. China is building a defensive military power to safeguard its sovereignty and economic interest in the neighbouring maritime theatre. It would take more than a decade for China to be a regional threat.

The US is still the great power and regional power in the Asia-Pacific region. The US has maritime capability superior to that of China. China has continental capability but lacks maritime capability, which is why it depends highly on the US blue-water navy to protect her oil shipping route in the Indian Ocean. China currently has no plan in her grand strategy to build superior maritime capability, perhaps in the future this could happen should the demand arise. More so, the multipolar system of balance of power in the region suggests otherwise. The strategic umbrella web camouflaging Japan, South Korea and Taiwan as US allies makes it more difficult for China to challenge the status quo. India, another rising power in South Asia, South East Asians such as Vietnam, a conventional enemy, or even Indonesia, may rise as a balance against China.

The US, although declining in economic power, still poses unchallenged capacity and capability as a global leader. History shows that rising powers and great powers collapse: Japan, Germany and Britain are classical cases. The future still remains gloomy for China; whether she will sustain her current economic growth is still unknown to us, as history unfolds.

Lastly, globalization and interdependence facilitate cooperation and preclude war. This can be best explained in Robert Keohane and Joseph Nye's scholarly work (2008) entitled *Complex Interdependence*. Both argued that today, with globalization, the complex web of interdependence makes war unthinkable and cooperation as a diplomatic means will maximize absolute gains and resolve conflicts. International institutions remove cheating and tie down rogue states through issue-linkage. China needs US and other smaller neighbouring states to drive her modernization agenda in order to co-exist in the international system. It cannot afford to lose any of them.

A visit to US by Hu Jintao may reduce the security uncertainty between the two rivals in the region. *The China Daily* of 22 January, 2011 reported that 'the state visit is staged as a celebration of China's rise - a message from Obama to both the American people and the Chinese that the United States does not consider China a 'strategic competitor', that is, a military threat. Instead, China is now a major power that the US will treat as such'.

National level

Is China a threat to PNG? There are a lot of biased opinions about China. In order to make a logical value judgment about China, one must first study Chinese history, culture and diplomacy through the lens of objective perception rather than be argumentative. Today, China is attempting to build a good image in the international community through soft power diplomacy. China aims to share her development experiences with developing countries like PNG, which is still struggling to develop with 'boomerang aid' and other issues for the last 30 years. A recent crisis in PNG and Solomon Islands may have been used as a political agenda or tool to tarnish China's good image. Beijing cannot be accused of others' actions. What transpired may have been an international organized syndicate which may not necessarily be linked to the Central Communist Party (CCP) in Beijing, which condemns such incidents and punishes perpetrators who tarnish her good image internationally.

More so, the territorial disputes between China and Japan and Vietnam are highly controversial in nature and may not be employed as an indication that China will use coercive force (military intervention) in PNG. To further cement that argument, it is almost impossible for China to use coercive force in PNG with the presence of the US and her allies – Australia, New Zealand and Japan – in the region. Strategically speaking, no country in the Pacific is a credible target for China. This argument is consistent with China's foreign policy in projecting a harmonious society guided by its five principles of peaceful co-existence

Implications for PNG: Strategic choices

Given the new shift in global power from the West to East with the peaceful rise of China in the 21st century, Sino-US foreign policy will shape PNG's foreign policy behaviour and geo-economic-strategic interactions in the region. The Pacific theatre, one of the US *hubs and spokes*, left Australia acting as the

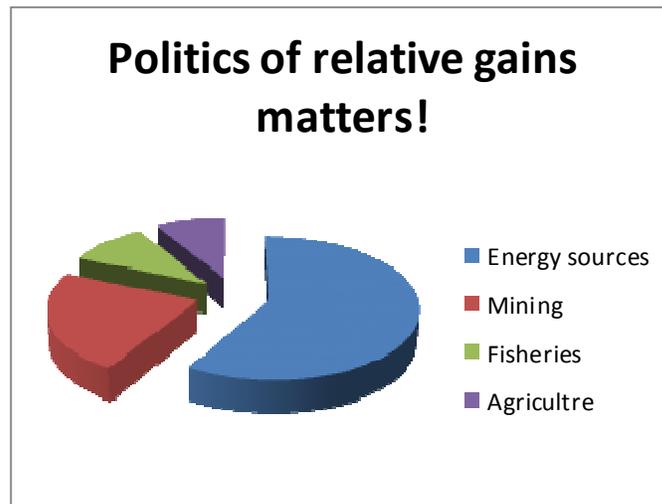
deputy sheriff on its behalf, which is now highly contestable given the rise of China. The immediate question now is, how can PNG rationally reimage and position itself within the framework of the peaceful rise of China under the US-led liberal order in the region?

PNG within the Sino-US geopolitical game

It appeared that 2011 would be an important year in the calendar of geopolitics with a new look Sino-US foreign policy and global diplomacy, one that characterizes more focus on *high key* issues discerning *structural power relations* than low key issues. An important phenomenon was the rising prominence of PNG in geopolitics given its geostrategic-economic importance in energy resources.

The year 2011 was coined by the Chinese Foreign Minister in a week-long National People Congress meeting in Beijing as the year of *Summit Diplomacy*, rekindling a shifting dynamics of her foreign policy and global diplomacy, in which China will play an active role as a responsible actor in the international community in resolving global issues concerning economic globalization and strategic interactions.

The Chinese peaceful expansion and influence in the Pacific region may be calculated as a potential threat to the US conventional sphere of influence, and thus may most likely cause friction leading to conflict, however, war is unthinkable. In strategic terms, relative gains matter in US national security as China continues to strategically wield her soft power diplomacy in the region. The more China gains in the region; it will be a threat to the US. In contrast, it is imperative that China should be seen as the most important economic and strategic partner rather than a competitor by US-allies including PNG in order to avoid a security dilemma and produce absolute gain for all parties.



This is consistent with Hillary Clinton's recent strategic concern over China's growing peaceful engagement in the US-Pacific backyard. Through the lens of strategic calculus, it seems obvious now, with Clinton strongly voicing shifting high budget priority in real-politico issues rather than low-political issues such as humanitarian schemes. US is extremely unsettled with the growing peaceful Chinese influence in the Pacific, especially in PNG, Fiji, Solomon Islands, Vanuatu and Tonga. Interestingly and significant, PNG has been given high prominence and is equated as one of the key economic players in geopolitics of energy with Clinton's high level state visit in 2010 and its eminence in US Congress in March, 2011. Clinton has relentlessly observed and mirrored the geostrategic-economic essence of PNG given its abundance of energy resources. PNG will become one of the US core interests in its foreign policy as far as shifting dynamics in real-politics is concerned.

Clinton's strategic concern in the Congress concerning PNG and Pacific region, comes at a time when PNG is on air with China in a move to secure a partnership in the high impact liquid natural gas (LNG) project. Although China argues its position is purely on energy security rather than dollar diplomacy, the US on the other hand calculates it otherwise. The US sees China's bid as strategic competition. The more China gains relatively, the more it poses a threat to US hegemonic leadership - relative gains matters in US foreign policy. However, it is argued that the US should see China as an important partner in energy cooperation.

Sino-PNG cooperation and strategic choices: Geo-economic and geo-strategic dimensions

Geo-economic dimension

The shift in economic power to Asia, in particular to China, has compelled foreign investors to see China as the new economic power in the region and begin diverting the course of investments. Most scholars and policy makers described this shift in global power as an 'economic hollowing' affecting big market powers such as US and EU in a relative sense. However, this should be seen as an advantage or opportunity for PNG in maximizing its national interest.

The question now is how should PNG benefit from this new Sino-PNG economic relation? Consistent with Vision 2050, PNG should refocus her foreign policy towards the new shift in power in global politics. It should consider emphasizing a closer economic and trade partnership with China under the framework of Wingti's 'Look North Policy'.

China has the economic capacity and capability to assist developing countries as part of her soft power diplomacy to achieve economic prosperity. PNG has vast untapped resources which can be developed by Chinese expertise. One of the important economic potential resources is energy which can be converted into economic gains. Our foreign policy should embrace international cooperation in foreign investment in the areas of energy innovation and development. Marketing energy potential to China is a rational choice in the long run. Energy is the single biggest market in the global market economy and has the potential

to transform the economy. In addition, China can offer technical assistance in converting other potential sources of energy to promote clean energy.

Sub-state relations can be mutually boosted to promote economic development. Province to province is a new form of bilateral relations under which a sister economic zone in China works with a Province in the Pacific. For instance, under this framework, New Ireland Province, vying for autonomy, could possibly learn from Fujian province as one of the six economic zones of China. China's model of economic development could transform the frontiers of economic development in PNG.

In the agricultural sector, PNG can possibly learn from Chinese modern agro-engineering technology in promoting food security. China is one of the leading countries in innovation in agricultural science and technology, especially food mutation in promoting food security and economic growth. PNG's untapped agriculture sector could be economized as part of food security through mutual cooperation.

In the higher education sector, human capital can be boosted in the frontiers of science and technology, economics and social science. China provides opportunities to third world countries as part of its assistance in promoting economic development in the fight against the rich-poor divide.

If PNG can maximize Sino-PNG economic cooperation through win-win diplomacy, it is posited it may become the next economic power in the Pacific region

Geo-strategic dimension

While PNG is now characterized as an emerging economic power in the region, national security of the state is of paramount interest. Security and economic powers share mutual functioning in projecting state power. Given the current security/military cooperation with conventional partners, PNG'S strategic culture remains weak and vulnerable to internal and external threats. With changing patterns in geopolitics constructing emerging security issues and challenges in the region and international responsibility, there is a need to review the current strategic defence cooperation.

Asia is now seen as the economic cockpit and theatre of contestable strategic interaction in shaping the security landscape of the region. Given this changing pattern, we expect more challenges in regional security posturing. The LNG projects pose potential risks to non-traditional security issues such as terrorism and transnational crimes - piracy, illegal gun trade, etc. The presence of US-multi-national corporations, such as US based Exxon Mobile in PNG projects, presents a high security risk, for instance, disruption of oil shipment in the maritime theatre by terrorist groups. Natural disasters also construct uncertain environments, which instruct realignment in military structures and doctrines.

In addition, PNG's move to participate in international peacekeeping operations under the UN demands military power projection. The theatres of war are very

hostile, which demands a smart modernized defence force. The PNG Defence Force lacks the capacity and capability of power projection in this new responsibility.

PNG's economic material base expressed in its vast natural resources such as oil, gas, fishery and agriculture requires guarantees of security. Currently, PNG's security is highly vulnerable to potential and real threats – a new garden without a fence is vulnerable to wild animals.

For decades under the Australia-PNG defence cooperation, little has been done in projecting modern military power to safeguard and secure sovereignty for people in the post-independence era. In other words, PNG's strategic culture has been shaped by Australia's interest which requires revolution to confront 21st century security challenges. China provides an alternative alliance mechanism, in which PNG can construct strategic alliance whilst maintaining its conventional alliance with Australia and the US.

China stands ready to support the strategic alliance to project power in the region. China's military modernization provides a strategic advantage for PNG to maximize its power projection in the region. There is already strategic cooperation with China which needs comprehensive re-scoping.

PNG has the potential to become a middle power in the region if she plays the China card. The time is right now for PNG to build modern military power projection given the elasticity of PNG's wallet. History has shown that Japan, small in size with few natural resources, once became one of the great powers in the 19th century; If Japan can do it, why not PNG?

Premised on this projection, PNG has to shift its foreign policy with the current shift in global power. This implies that PNG, while maintaining its traditional allies, must give more emphasis to a *Look North policy* focusing on China. PNG cannot isolate itself from China, now the second global economic power. Even big powers such as US and Japan are investing heavily in China. Although others calculate China as a threat, PNG has a chance to maximize absolute gains if it strategically manoeuvres the game by playing the Chinese card. PNG has the potential to play smart diplomacy. In sum, China's peaceful rise is an economic and strategic advantage for PNG as a small island developing economy to ensure a win-win situation.

Conclusion

The peaceful rise of China is an important opportunity for PNG to maximize its national interest. China is an important geopolitical and geo-economic partner to drive PNG's modernization agenda through Vision 2050. PNG should shift from the old chess game to the new game by playing the Chinese card whilst maintaining the traditional card. This structural shift has the potential to transform PNG into a small but modernized power in the region.

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