

Asia in 2017

Return of the Strongman

THE PAST YEAR, 2017, HAS BEEN RELATIVELY good for Asia from an economic point of view. Indeed, it has been good for the world, with global growth expected to reach 3.6% for the year, up from 3% last year. Developing Asia (excluding Japan), in contrast, boasted an average 6%, and this above-average performance is expected to continue through 2030. Although the regional juggernauts were China and India, at 6.9% and 6.7% respectively, some of the smaller economies grew faster, albeit from a smaller base. The highest growth rates in the region were the economies of Uzbekistan and Nepal, though Laos, Bangladesh, Cambodia, and Myanmar all broke 7%. Even the developed economies exceeded expectations, with Japan and the United States up to 2.5% (all these figures are early estimates). Yet a more comprehensive perspective reveals a mixed picture. Economically, despite the rosy growth outlook, the inauguration of Donald Trump has disconcerted future trade expectations, specifically regarding access to the large and lucrative US market. Politically, ratcheting tensions in some of the perennial flashpoints has put the region on edge. In this brief introduction, elaborated at fuller length and breadth in the ensuing survey articles, we begin by drawing out these economic and political initial conditions before turning to their consequences.

The election of Donald Trump has had a much more disruptive impact in the United States than abroad, due to the geographic dissection of the social media.¹ At home, he has amplified his presidential voice via daily resort to his Twitter account, where he has emerged as something of a national scold,

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1. That is, the “Twitter” audience is (so far) exclusively national. See Yuri Takhteyeva, Anatoliy Gruzdb, Barry Wellman, “Geography of Twitter networks,” *Social Networks* 34 (2012): 73–81.

waging a protracted war with the news media (to their net advantage) and whomever else dares criticize him. Yet Trump's Asian policies have hitherto hewed fairly closely to those of a typical Republican. His major departure from Republican orthodoxy has pertained to free trade, where he argues that America has been grievously disadvantaged in multilateral trade agreements. Thus he promptly withdrew from the multilateral Trans-Pacific Partnership (TPP) and is renegotiating other commitments such as NAFTA (North American Free Trade Agreement) and possibly KORUS (the US-Korea FTA). In their place he wants to shift to the negotiation of bilateral trade deals, as he made clear in his marathon November tour through East Asia.

This turn to hard asymmetric bargaining threatens not only access to the lucrative American market, but a breakdown of the regional supply chains around which trade had become organized. Predictions that this will leave the trade field to China to reorganize as it wishes, or in more sweeping language, abandoning US global leadership, may yet prove correct. Certainly Trump gives short shrift to the strategic power of economic agreements. For the moment, the Regional Comprehensive Economic Partnership (initiated by ASEAN and supported by China, its largest potential member) has stalled on issues of intellectual property rights, *inter alia*. Meanwhile the 11 remaining TPP partners, led by Japan, vowed at the Asian Pacific Economic Cooperation (APEC) meeting in Hanoi to continue to build and expand TPP without the US. While China in its new role as leader of globalization has inveighed against European and American refusals to endow it with developed country status in the WTO—and threatened the US with unnamed retaliation if it raises import tariffs—Western merchants continue to cavil at China's constraints on foreign investment. For this among other reasons, trade has been slackening since its heyday in the 1990s and 2000s when it grew at twice the pace of GDP—but its fall in China has been particularly steep, hitting the lowest level since 2009.²

Politically, the region's flashpoints have mostly involved boundary issues or sovereignty claims. The boundary issue emerged in South Asia in the Doklam standoff between India and China, a complicated affair in which Indian forces interrupted Chinese road-building efforts in a third country,

2. Exports contributed only 19% of China's GDP in 2016, as opposed to 37% in 2006. But it is difficult to "rebalance" export industries to domestic consumption because exports have been focused on developed countries, which the domestic market cannot easily replace.

Bhutan (to Chinese indignation). Fortunately the two sides found a peaceful exit before their meeting at the November Shanghai Cooperation Organization summit (India is now a full member) in Sochi, Russia, though the boundary issue remains unresolved and tense in the eastern sector, and relations remain chilly (India boycotted China's Belt and Road Forum and has been building strategic relations with Japan). The other issue is the everlasting fray between India and Pakistan over Kashmir, an issue kept alive by India's crackdown on Muslim protests. Maritime boundary disputes over China's claim to some 90% of the South China Sea and a generous swath of the East China Sea seemed to lapse into a sort of frozen crisis for the year, though China continues to militarize the islets it occupies and to patrol daily the Diaoyu/Senkaku islets occupied by Japan. As divided nations, Taiwan-China and North-South Korea represent a special form of sovereignty cum ideological dispute (aggravated in the latter case by nuclear proliferation). Beijing has frozen all contact with Taiwan pending the latter's acknowledgment of the "one China principle" claiming Chinese sovereignty over the island, and Chinese aircraft and vessels have circled Taiwan some 25 times (Taiwan's count) since last August. Clearly the balance of military power has now shifted to the mainland, but until the Americans can be deterred from intervening, Beijing seems unlikely to impose a military solution.

In the Korean case the issue of national reunification has been eclipsed by the North's development of nuclear weapons, though reunification may well be the underlying motive for Pyongyang's pursuit of Nuclear Weapon State (NWS) status. For the time being, neither the US nor the South has found any peaceful way to prevent realization of that threat, aside from ever tightening sanctions. These have indeed, according to available evidence, begun to hurt—not enough to interest Pyongyang in denuclearization, but enough to signal (in Kim Jong Un's annual New Year address) an interest in opening talks with the South. There he perhaps sees a softer target than the "dotard" in Washington, as he labeled Trump. The South's new President Moon Jae-in immediately signaled his acceptance. More surprising still, Trump promptly endorsed Moon's decision and agreed to suspend military exercises prior to the Winter Olympics in Pyeongchang this February. North and South Korean athletes will march together at the opening ceremony under a unified flag, Seoul announced after talks between the two countries. In compensation, the young North Korean dictator will no doubt demand some alleviation of sanctions, a wish for tension relief no doubt shared by the South

and the West, to be negotiated against a reciprocating demand for removal of the North's nuclear threat.

EMERGING TRENDS

Economic prosperity inequitably distributed, regional peace amid conflicting territorial claims—this, then, is the overall context in which the following trends have emerged in Asia. First, the perceived need for security and order has fostered a yearning, or at least tolerance, for stronger national leadership, spurring the rise of the strongman, or charismatic leader. This is not new in Asia, as developmental dictatorships led by Park Chung-hee, Suharto, Chiang Kai-shek et al. commonly accompanied post-war nation-building in Asia. Vladimir Putin has set the pattern for the 21st century strongman, who is no longer a founder but a takeover engineer. Legitimacy is no longer ideologically or military-based as in the junta, but mixed, leaving formal democratic institutions (including elections) in place but eviscerating opposition parties and demanding loyalty to a media-enhanced personal leadership. Putin's reelection in 2012 amid popular allegations of electoral fraud (along with the formal elimination of tenure limits), as well as having to endure economic sanctions in response to his greater assertiveness in the Russian periphery, turned Putin from the West to the East. The pretext for the rise of the strongman is to “get things done” in the wake of democratic dysfunction, as exemplified by Rodrigo Duterte's campaign in the Philippines against drug trafficking (which, at the cost of some 6,000 summary executions, including students, has indeed cut crime rates). The rise of Thaksin Shinawatra (and his sister Yingluck), whose return to power cannot be foreclosed pending the promised return of electoral democracy to Thailand, was also originally accompanied by an anti-drug campaign.

The rise in China of Putin admirer Xi Jinping was, on the other hand, accompanied by a (very popular) campaign against corruption. Setting “collective leadership” leadership tacitly aside, Xi has bolstered his position through the accumulation of titles: chairman of over a dozen “leading small groups”; being designated “core leader” in 2016, climaxed at the 19th Party Congress in November 2017 by having his “thought” (“Xi Jinping thought on Socialism with Chinese characteristic for a new era”) enshrined in the Party constitution; and appointing followers to the new Politburo. “Getting things done” has hitherto focused domestically on the reforms outlined at the

2013 3rd plenum of the 18th Party congress to realize the Chinese Dream of national rejuvenation, promising a “great modern socialist country” by the middle of this century. Implementation to date has been mixed. But Xi promised in his three-hour speech at the 19th Congress to double down on reform, introducing the world’s largest carbon-trading market, cleaning up the country’s over-leveraged financial system, and institutionalizing economic integrity under a National Supervision Commission. Hun Sen follows this playbook in Cambodia, where his victory in the election scheduled later this year has been assured by judicially dissolving the Cambodia National Rescue Party (CNRP), whose rising popularity gave the ruling Cambodian People’s Party (CPP) a scare in the last (2013) election. Authoritarian tendencies have also emerged in Thailand and Malaysia, minus the charismatic leadership or heroic accomplishments.

Second, there has been a surge of confident, high-tech redevelopment initiatives in the region: Reform in Russia did not halt with Dmitry Medvedev’s demotion from president to prime minister, but it has turned eastward under Putin’s third mandate, doubling down on state-led plans to strengthen supply and sources of energy for export to Asia (mainly China) and to more fully exploit Russia’s rich but largely empty Far East. China has launched “Made in China 2025,” with a focus on smart manufacture, machine learning, robotics, and artificial intelligence—which will also further enhance its already formidable surveillance capabilities. Thailand under Prayut Chan-ocha has launched “Thailand 4.0,” referred to as the “next growth phase” by the Ministry of Finance and the “20 Year Strategy” or “6-6-4 plan” by the Ministry of Commerce. The prime minister has been preaching a “sufficiency economy philosophy” to avoid the middle-income trap of heavy industry manufacture and move to a value-based economy. India, pushing a *swadeshi*-type homegrown “Make in India” campaign under Narendra Modi, introduced in July 2017 an ambitious goods and services tax (GST) to replace multiple cascading taxes levied by the central and state governments with a single federal tax, and is emphasizing “Industry 4.0” to promote smart manufacturing. The Korean government, Samsung, and chipmaker SK Hynix are pushing “Industry 4.0” with investments in Artificial Intelligence, big data and virtual reality—yet at the same time, concerned about high unemployment rates among young people, the government has sponsored the first “robotics tax.” Not to be outdone, Japan has introduced “Society 5.0” to promote the Internet of things, AI, and robotics. Malaysia has launched a “Bumiputera

Economic Transformation Roadmap 2.0,” promising more affirmative action on behalf of the native majority.

Third, a somewhat ironic trend has seen a return to tradition in many of these rapidly modernizing countries, including a turn to religion. While much of Asia is now mercifully bereft of the large-scale communal violence that emerged in the medieval Western crusades or Europe’s Thirty Years War, religious differences provide a potent political mobilizing device. In the southern Philippines, along the maritime border with Malaysia, Islamic radicals launched a four-month uprising in Marawi causing the death of over 150 residents, with the blessing of the Islamic State (IS), which in the process of losing its caliphate in Syria and Iraq needed a new locus to pursue jihad. Local Islamist groups such as Maute, Abu Sayyaf, and Ansar Al-Khilafah—which have been responsible for numerous kidnappings and bombings for more than 25 years—pledged allegiance to IS and established bases in Mindanao. In Indonesia the reelection campaign of Governor Basuki “Ahok” Tjahaja Purnama was derailed by accusations of “blasphemy” against Islam, which is illegal. Though his supporters claimed in his defense that this was a violation of Pancasila, Indonesia’s pluralist founding ideology, Ahok wound up in prison. In Malaysia, Prime Minister Najib Razak, engulfed for the past few years in a corruption scandal, has leaned increasingly to Islam (and to the previously opposition party PAS) to fend off a fragmented opposition in next year’s election, including both nonagenarian Mahathir Mohamad and the man he imprisoned, Anwar Ibrahim. In Myanmar, the Rohingyas, a Muslim minority group long persecuted by majority Buddhists and engaged in violent altercations with the police since 2012, organized a militant self-defense group called the Arakan Rohingya Salvation Army, which launched a concerted counterattack on police posts and border troops in August. This action triggered a bloody crackdown by the Tatmadaw (the Myanmar military) that in turn has precipitated the exodus of over 600,000 Rohingyas to neighboring Bangladesh, where they constitute an unsustainable refugee crisis. But while the Islamic community is clearly aroused, this is not the only religious political awakening. In India, Hindus have become more militant in the context of BJP political leadership, launching attacks on Muslims for killing cows. In China, Confucianism has been revived after its repression during the Cultural Revolution in order to reinforce ancient moral values (including traditional Chinese medicine).

Fourth, Xi Jinping’s “Belt and Road Initiative” (BRI), a vastly ambitious infrastructure building project launched in 2013 to facilitate movement of

transport and energy between China and Europe (and to harness China's industrial overcapacity in its construction), has been gaining real traction. The BRI from the outset has been a conceptually stunning vision that, if realized in full, will fundamentally transform the geography of global affairs. In May 2017 China convened the first BRI summit in Beijing, attended by 130 countries and 70 international organizations, including 29 heads of state. The BRI plan estimates that it will achieve a spending level of US\$ 1.2 trillion within the next 10 years on such projects as railways, ports, dams, and power grids. Thus far China has spent (or committed to spend) over US\$ 500 billion, not counting commercial bank loans. Some major projects are already underway, including the rail and highways linking China's Xinjiang to the port of Gwadar in Pakistan, the Khorgos "dry port" on the Chinese-Kazakh border that handles cargo train traffic to Europe, and the high-speed rail link aimed at connecting the Chinese-owned port of Piraeus in Greece to Central and Eastern Europe. Already, massive Chinese investment has helped turn Piraeus into Europe's busiest port.

To be sure there are also problems. One is the strategic implication of such things as ports—will these form a "string of pearls" for Chinese naval assets? This has not been a prominent concern among recipients of Chinese loans, but it may have caused relevant countries to opt out: India and Afghanistan have disclaimed interest in BRI. Second, BRI client states are often financially less credit-worthy (according to international rating agencies) than China, putting both loaner and borrower in potential financial jeopardy. Sri Lanka became overextended servicing huge commercial loans for the construction of a port and airport in Hambantota and a massive port city project in Colombo. It has been obliged to make debt for equity swaps, ceding China control of the Hambantota facility for the next century. In the past year both Pakistan and Nepal have opted out of BRI dam-construction projects, complaining of China's "too strict" financial conditions. Many processes have been disrupted by rebels, political stability issues, and legal challenges such as land ownership disputes. For example, the Jakarta section of the Indonesian high-speed railway has not started construction since 2015 (when Indonesia awarded the project to China) because of a dispute over rights to the adjoining land, which China wants to commercialize. The construction of a railway from China to Singapore got stuck in Thailand due to labor union resistance. Debates over the high cost of tunneling through mountains have slowed down the Laos section of the same railroad. The new political leader of

Kyrgyzstan has stopped the railway from China to Uzbekistan due to local resistance. Even the China-Pakistan Economic Corridor (CPEC) project is being disrupted as rebels along the way have blown up natural gas pipelines and trains. As for China, despite its still massive foreign exchange surplus, it has become clear that it lacks the capacity to finance such a massive project alone—the State Administration for Foreign Exchange (SAFE) has recently taken steps to limit the cash flowing out of the country.

Finally, China has launched a major initiative to enhance its image and influence abroad. The BRI mega-project aims to reinforce China's image as a country eager to use its newfound wealth for the good of the world. Since 2004, China has established some 500 government-funded "Confucius Institutes" in 140 countries and over 1,000 "Confucian classrooms." These offer language classes, host dance troupes, and teach Chinese cooking. Most are embedded in existing educational institutions. Xinhua News Agency opened nearly 40 new foreign bureaus between 2009 and 2011, bringing its total to 162 (it hopes to have 200 by 2020). The number of Xinhua correspondents based overseas doubled during that time. In December 2016, the state broadcaster rebranded its international media service, calling it China Global Television Network. In 2016 Xinhua used its billboard in New York's Times Square to broadcast a video 120 times a day for two weeks defending China's sovereignty claims to islets in the South China Sea. In 2015 an investigation by Reuters revealed that a Chinese state broadcaster, China Radio International, controlled at least 33 radio stations in 14 countries, including the United States, through front companies. In the past year, pushback has emerged to such efforts to shape China's image abroad, now labelled "sharp power" rather than "soft power."

This has occurred with particular clarity in Australia. In June 2016, two of the country's most influential news organizations published a five-month investigation of China's publicity efforts. The report described threats against parents in China for their children's involvement in democracy protests, the detention of a Chinese-Australian academic (Dr. Chongyi Feng) during a visit there, donations from pro-Beijing businesses to the campaigns of Australian senators, and the Communist Party's grip over Chinese-language media in Australia. The latter's domestic spy chief, Duncan Lewis, told lawmakers in June 2017 that espionage and foreign interference were occurring at "an unprecedented scale" and were a threat to Australian institutions.

Why the backlash against the Chinese charm campaign? First, China is now big, strong and assertive, and not afraid to exert its power when necessary (as in threatening Duterte with war if he drills near Johnson Reef). Second, China's soft power is not only public propaganda but sometimes clandestine, as in the Dastyari affair,³ or coercive, as in the informal crack-down on South Korean business interests in response to the latter country's installation of THAAD anti-missile defenses. Third, it may be related, as China avers, to insidious anti-China prejudice (the "China threat theory"). Yet this aversion may be exceptional. In many developing countries in which China has large investment stakes (such as Russia, Ethiopia, or Cambodia), the publicity effort seems to have been quite effective.

3. Sam Dastyari was forced to step down in 2017 as Labor senator from New South Wales upon the release of information disclosing his close links to wealthy Chinese-Australian political donor Xiangmo Huang. The implication, never proven, was that this was related to Dastyari's support for such controversial Chinese foreign policy positions as sovereignty over the South China Sea.