Executive Summary

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US Project and Asia Programme | September 2015

The Asia-Pacific Power Balance
Beyond the US–China Narrative
Summary

There are numerous interpretations of the distribution of power in the Asia-Pacific, but for many in the United States and in the region the principal narrative currently revolves around the US–Chinese relationship. However, this simplistic perspective does not sufficiently take into consideration other regional actors such as Japan and India, new instruments of leverage in the region, or the extent and complexity of changing relationships.

In oversimplifying the situation, Asia-Pacific countries and the United States risk narrowing the aperture through which they evaluate policy choices regarding regional challenges. At the same time, the bipolar perspective, potentially invoking Cold War-type mentalities, could exacerbate tensions rather than relieve them. Seeing US–Chinese competition as the main variable in the region could become a self-fulfilling prophecy.

This paper seeks to go beyond this perception by laying out the major narratives of the region’s power distribution currently in play in its four principal powers – the United States, China, India and Japan. Building on this, the paper reviews some of the main instruments of influence in the region, including military power, diplomacy, economic strength, development assistance and control over natural resources, and assesses each instrument’s current and future potential for influence. Based on these national and regional analyses, the paper explores the likely distribution of power looking ahead to 2030, what might challenge this and what this could mean for regional relations.

Current narratives

Five principal narratives most commonly feature in interpretations of the Asia-Pacific power balance. These can be summarized as follows:

- **The rise of China**: This presumes that the rise of China has been the main source of change in the region. It considers the region first and foremost in bipolar terms – that is, as subject to competition between the United States and China that will likely become more virulent as the latter continues to rise.

- **Global flux**: This argues that the main shifts in power distribution are between the developed West and the emerging economies (particularly those in the Asia-Pacific).

- **Power diffusion**: This suggests that regional changes are fostering multiple centres of power in the Asia-Pacific, with none dominant.

- **Asia for the Asians**: This describes an Asia that is defined and managed within the region, with little role for outsiders, including the United States.

- **Norms and values-based polarity**: This presumes that regional dynamics are led by partnerships based on common values.
The instruments of power

The current narratives of power distribution in the Asia-Pacific oversimplify a number of the structural drivers of change in the capabilities of each state. These narratives also disregard the extent to which relations between the region’s major powers are in flux. Ongoing transitions include the following:

- **Military:** The role of traditional military power is diminishing relative to other instruments, from development assistance to cyber offence. Despite this, spending on traditional military platforms and capabilities is rising fast among the key actors in the Asia-Pacific. By this measure, the United States has and will continue to have for some time the largest, most advanced, best-trained and most integrated military. While China’s defence spending has been rising at double-digit rates for most of the past two decades, its capabilities remain weak in many areas. Their potential effectiveness is hampered by a lack of interoperability with other powers in the region. Meanwhile, the militaries of Japan and India are becoming – in very different ways – more versatile and potentially expanding their remit. In the future, there will be more capable military powers in the region, potentially able to act alone or jointly with others. Current perceptions of China’s rising capabilities outstripping those of others in the region will need to be tempered.

- **Economic:** While China has the world’s second-largest economy and – despite recent problems – is growing faster than other major economies, its growth rate is in secular decline. The United States is still the largest economy and will continue to be so for many years (though purchasing-power calculations complicate this). The future of Japan – the world’s third-largest economy – is uncertain, and dependent on the success of Prime Minister Shinzo Abe’s ‘three arrows’ of economic reform. India’s economy remains notably smaller than those of the other three, but it is on the point of surpassing China’s rate of growth, and the formation in 2014 of a new government led by Prime Minister Narendra Modi has significantly boosted confidence in it. If the Trans-Pacific Partnership (TPP) is successfully negotiated, the potential for growth-boosting integration between the United States, Japan and the other 10 TPP members may mitigate their current dependencies on China.

- **Demographics:** Japan (more immediately) and China (over the coming years) face significant demographic challenges from ageing populations, decreasing numbers of workers and gender imbalances. The United States is also beginning to age, although not as rapidly, while India, with its relatively youthful population, has some decades of demographic dividend ahead of it. The United States is a more open society in terms of immigration, something neither Japan nor China shows much likelihood of emulating.

- **Partnerships:** The historical US ‘hub and spokes’ model of regional relations is set to change. A more networked structure is developing within the region, with an increasing number of overlapping plurilateral groups. Japan and India, in particular, are building and participating in more formal and informal regional groupings, although these often focus more on strategic dialogue than action.
Characteristics of the Asia-Pacific in 2030

Building on these current contexts and trends, this paper proposes that the Asia-Pacific region in 2030 will have at least four principal characteristics:

• **Change will be more rapid and more volatile.** This will result in the power distribution between the principal actors becoming more complex, finely balanced and difficult to assess clearly. Change is already being facilitated by new technologies, particularly in media and communications, making control of information increasingly difficult. The rise of new, often disruptive businesses in the emerging Asian economies will affect the economic balance in unpredictable ways. Demographics are changing, with corresponding implications for social services. Natural resource challenges are becoming tougher.

• **Power will become more diverse and diffuse,** with more state and non-state actors having influential roles. Regional groupings are proliferating and in some cases becoming institutionalized, with varied impact. Moreover, power is becoming more diffuse within states, making it harder for governments to manage internal debates and to send clear messages to neighbours, particularly where nationalism is growing.

• **The region will become more complex,** unpredictable and thus hard to govern as a result of the rise of new actors, challenges and tools. This could lead to policy paralysis on the part of leading state actors, as a swiftly changing environment and too many choices lead to greater uncertainty and, in the end, hesitancy or no action being taken.

• **Countries, companies and other actors in the region will become more interdependent,** which makes the previous point troubling. Already, all states in the Asia-Pacific are increasingly dependent on one another for growth, stability and security.

The 2030 Asia-Pacific distribution of power

These regional characteristics mean that, in order to succeed, states will have to become more flexible and adaptable. They will have to diversify their policy-making – balancing investment in military capabilities with investment in other sources of influence, and opening up government to new partnerships with the private sector and civil society.

These characteristics and incentives for change will likely result in a region that can best be described as ‘flexi-nodal’ – along the lines of the ‘power diffusion’ narrative described above. In a flexi-nodal environment, there will not be one or two dominant powers but many influential actors taking the lead and/or collaborating on different issues of concern.

Regional alliances will vary, depending on the specific area of focus, and could play out formally or informally. Their make-up and leadership will depend on who has the interests, will and capabilities (with regard to the appropriate levers of power) to act. For example, with the United States and Japan taking the lead, the TPP could become the principal grouping through which economic issues, in particular trade and regulation, are governed. Meanwhile, the Association of Southeast Asian Nations (ASEAN) and its various iterations (such as ASEAN+1 or +3) could provide the right context for a discussion on a maritime code of conduct for the South China Sea. On broader security issues, such as territorial tensions in the South China Sea, an ad hoc coalition
could emerge involving, for example, China, the United States, India, Vietnam, the Philippines, Japan and Australia.

The ability of these states to work with one another will be vital in minimizing risk and addressing regional concerns, while still enabling them to promote and protect their particular national interests. Employing different policy-making tools and resources, states in the Asia-Pacific must become more versatile and adaptive. Successful states will not only need to work with non-state actors, but also, where appropriate, with other relevant external actors, including those in Europe for trade relations and those in the Middle East for energy security.

While this new flexi-nodal approach may reflect the future reality for the Asia-Pacific, existing and alternative narratives will also likely persist, driven as much by the interests (and ideologies) of various regional and extra-regional actors. As this paper argues, just as today's narratives do not entirely reflect reality, neither will some of the dominant narratives in the future. Ultimately, however, the ability to distil an accurate interpretation of the regional distribution of power will help the Asia-Pacific states to make appropriate and effective policy. In turn, this can reduce the likelihood of interstate misunderstandings and tensions in one of the most dynamic regions of the world.