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## **THE TED WHEELWRIGHT LECTURE**

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### **TOWARDS A NEW AMERICAN ISOLATIONISM: AN ASIAN VIEWPOINT**

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I am very pleased to have been invited to deliver the Ted Wheelwright Memorial Lecture for 2008. I only met Ted once, during a speaking tour of Australia in 1991, but I was familiar with his important contributions to the political economy of Australia, the Asia Pacific, and China. I can only be very grateful to Frank Stilwell and the other organizers of this event for bestowing on me the honor of giving this talk in the memory of one of this country's outstanding thinkers.

Despite the glitter that surrounded both the Olympics in Beijing and the Democratic National Convention in Denver, the messages coming to Asia from the two events were very different. From Beijing, the message was, to put it in the words of one pundit, China has had a few bad centuries but is back on its feet. From Denver, the word was that the world's most powerful country has been on a desperate decade-long downspin that can only get worse if the Republicans keep the White House.

For people in this part of the world, the weakening of US power is most evident elsewhere: in the Middle East and Southwest Asia, where Washington is bogged down in unending wars in Iraq and Afghanistan; in Latin America, where the rebellion against neoliberalism and US meddling is in full swing; and, most recently, in Central Asia, where

Washington and the North Atlantic Treaty Organization (NATO) have been taught a painful lesson in overextension in Georgia.

The erosion of Washington's position is less obvious in this region. After all, the US continues to maintain over 300 military bases and facilities in the Western Pacific. Over the last decade, it has established what amounts to a permanent troop presence in the Southern Philippines to make up for its giving up its two big military bases on Luzon Island in 1992.<sup>1</sup> And in Indonesia, the Pentagon has reestablished its close ties with the Indonesian military after several years of uncertainty, using the opportunity provided by relief operations during the tsunami of 2004.<sup>2</sup>

### **Erosion of US Power in East Asia**

Nevertheless, the region—and Southeast Asia in particular—is probably more independent of the US today than at any other time in the last 60 years. Economics is the reason. Over the last two decades, several developments have eroded the US's position.

First of all, its drive to create the trans-Pacific free trade area known as the Asia Pacific Cooperation (APEC) failed. APEC was meant to be a westward extension of the North American Free Trade Area (NAFTA), and both were intended to serve as a geoeconomic counterweight to the European Union. Japan, China, and the Association of Southeast Asian (ASEAN) countries, fearing US economic domination in the name of free trade, scuttled President Bill Clinton's trans-Pacific dream at the APEC Summit in Osaka in 1995. APEC summits continue to be held, but these are remembered more as times when heads of state don the host country's national costume than as occasions for serious economic decision-making.

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1 See Herbert Docena, "Unconventional Warfare: Are US Special Forces Engaged in an 'Offensive War in the Philippines?'" in Patricio Abinales and Norman Quimpo, eds., *The US and the War on Terror in the Philippines* (Manila: Anvil Publishing Co., 2008), pp. 46-83.

2 See Walden Bello, "The Rise of the Relief and Reconstruction Complex," *Journal of International Affairs*, Vol. 59, No. 2 (Spring-Summer 2006).

Second, the US effort to impose capital account and financial liberalization on the Asia Pacific economies as a key element of more thoroughgoing structural transformation backfired. Capital account liberalization led to the Asian Financial Crisis in 1997-1998. Instead of helping to shore up economies in crisis, Washington took advantage of the crisis to try to comprehensively transform the region's economies along neoliberal lines. As one of Clinton's economic lieutenants saw it, "Most of these countries are going through a dark and deep tunnel...But on the other end there is going to be a significantly different Asia in which American firms have achieved a much deeper market penetration, much greater access."<sup>3</sup>

The outcome proved to be different. Malaysia imposed capital controls. The International Monetary Fund (IMF) was discredited, with the Thai government declaring its intention never to go back to the agency after paying off its loans in 2003 and the Indonesian government resolving to do the same thing in 2008. While Washington and the IMF were able to kill Japan's proposal for an Asian Monetary Fund (AMF) at the height of the crisis, the East Asian governments formed the "ASEAN Plus Three" financial mechanism that excludes the US and is likely to be the precursor of a full-blown regional financial agency. Neoliberal transformation has stalled in Japan and most Southeast Asian countries, with possibly only South Korea continuing to travel along the free-market path desired by the US.<sup>4</sup>

Moreover, to protect themselves against future speculative crises provoked by the movements of global finance capital spearheaded by US funds, the Asian governments have built up massive foreign exchange reserves, on which the US has become dependent for funds to prop up its massive military expenditures and the middle-class spending that for a long time served as an artificial barrier against recession. With the unraveling of American financial institutions, the onset of recession, and

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3 "Worsening Financial Flu Lowers Immunity to U.S. Business," *New York Times*, Feb. 1, 1998.

4 See, among other works, Walden Bello, "States and Markets, States versus Markets: The Developmental State Debate as the Distinctive East Asian contribution to International Political Economy," in Mark Blyth, ed., *Routledge Handbook of International Political Economy* (London: Routledge, 2009).

the depreciation of the dollar, the US economy has become hostage to these countries' decisions to continue to lend to Washington and Wall Street.

A third development that is not positive for the US is the region's becoming increasingly dependent on the red-hot Chinese economic locomotive. According to a United Nations report, China has been a "major engine of growth for most of the economies in the region. The country's imports accelerated even more than its exports, with a large proportion of them coming from the rest of Asia."<sup>5</sup> In fact, Chinese demand is what pulled the Asia Pacific economies from the recession caused by the Asian financial crisis that the US tried to take advantage of. China has not only surpassed the United States to become Japan's main trading partner but Chinese demand has helped keep the world's second-largest economy from falling back into recession.<sup>6</sup>

Conscious of its economic clout, China has moved to consolidate its position as East Asia's new economic center via smart economic diplomacy. In 2002, it convinced the ASEAN governments to create the ASEAN-China Free Trade Area that is scheduled to come into effect in 2010. Japan has tried to catch up by offering ASEAN countries "economic partnership agreements." Meanwhile, talks on a U.S.-Thailand free trade area have been frozen by popular opposition to Washington's strident championing of the so-called intellectual property rights of its corporations.

All in all, there is a great deal of truth in the observation that the biggest beneficiary of the Bush administration's imperial and corporate misadventures over the last decade has been China, which has kept itself from military entanglements and devoted itself single-mindedly to economic development.

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5 United Nations Conference on Trade and Development (UNCTAD), *Trade and Development Report 2004* (Geneva: UNCTAD, 2004), p. 20.

6 Paul Blustein, "China Passes U.S. in Trade with Japan," *Washington Post*, January 27, 2005; <http://www.washingtonpost.com/wp-dyn/articles/A40192-2005Jan26.html>.

## **Challenges Posed by China's Ascent**

The rise of China provides a number of very fundamental challenges to different key actors in East Asia.

To Japan, the key challenge is to move from being effectively a vassal state of the United States in security matters to a mature relationship with China that would definitively leave behind five decades of aggression followed by six decades of serving as a springboard for US power projection onto the Asian mainland. A definitive acceptance of responsibility for the atrocities committed by Japanese troops during the Second World War, including the infamous Nanjing Massacre, on the part of the Japanese people and their leaders is an indispensable step in this move towards a mature relationship between Asia's leading economic powers.

With respect to Australia, let me first say that the new Labor government's breaking with Washington on climate change and decision to withdrawal troops from Iraq have been very welcome developments. But much remains to be done. The central challenge posed by regional developments is for Canberra to finally and definitively shelve the schizophrenic desire to be, on the one hand, Washington's deputy sheriff in Southeast Asia while at the same time craving to be part of the dynamic Asian family. Canberra must once and for all abandon the knee-jerk compliance with Washington's desires that is rooted in the anachronistic solidarity of the Anglosphere. I am positive that, were he here today, this is advice that Ted Wheelwright would heartily endorse.

For Southeast Asia, the challenge is how to avoid becoming an appendage of the Chinese economy.

Chinese demand was, as mentioned earlier, an immense force lifting Southeast Asia's economies from the depths of the Asian financial crisis. However, China's developing trade and investment relations with ASEAN have had some not pleasant aspects. The experience of Thai vegetable and fruit producers owing to an "early harvest" free trade arrangement with Thailand earlier this decade is one of them. Under the agreement, Thailand would export tropical fruits to China while winter fruits from China would be eligible for the zero-tariff deal. The

expectations of mutual benefit evaporated after a few months, however, with massive imports from China wiping out Thai producers of many fruits and vegetables such as garlic and red onions.<sup>7</sup>

But the fear of many in Southeast Asia goes beyond having trade agreements with China that would yield unequal benefits. With land and energy relatively scarce in China, Chinese enterprises, with the blessings of the Chinese government, are seeking deals that would allow them to mine minerals and grow crops in Southeast Asian countries for exclusive export to the China market. To take one example, in a deal with the Philippines, the Chinese Fuhua Group planned to invest \$3.83 billion over five to seven years to develop 1 million hectares of land to grow high-yielding strains of corn, rice, and sorghum.<sup>8</sup> The Philippine government's Departments of Environment and Agrarian Reform plan to identify "idle lands" that could be incorporated into the Chinese plantations.<sup>9</sup> This in a country where seven out of 10 farmers are landless! This is a formula for real trouble.

Some have been quick to call China's international economic policies "imperialistic." It is, however, difficult to sustain this label since exploitative relations between China and other developing countries have not congealed structurally. Economic trends where China emerges as a net beneficiary do not add up to imperialism. Moreover, there is absent that element of force and coercion that accompanied the imposition of European and American economic power on weaker societies.

Nevertheless, Southeast Asian governments need to balance their spontaneous feelings of South-South solidarity with cool-headed realism. Countries like China, Brazil, and India are led by developmentalist elites that are seeking to find their place in a new global capitalist order marked by the loosening of the economic hegemony of the old capitalist centers – that is, Japan, the US, and the European Union. The pursuit of national economic interest, not regional cooperation for development, is

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7 Chanida Chanyapate, "Dangerous Advice on Free Trade Pacts," <http://www.bangkokpost.com/News/20Sept2005/opin24.php>

8 Luzi Ann Javier, Bloomberg News, "Chinese Investments Grow in the Philippines," *International Herald Tribune*, Jan. 15, 2007, <http://www.iht.com/articles/2007/01/15/bloomberg/sxchiag.php>.

9 *Ibid.*

their central concern. By uncritically signing trade and investment agreements or joining a regional formation anchored by these bigger, ambitious powers, smaller countries may simply end up being used – economically, territorially, and politically – to advance their regional and global agenda.

Does this mean that a trade agreement and regional economic formation linking China and ASEAN is to be avoided at all costs? No, it simply means the ASEAN governments must enter talks with China with eyes wide open and negotiate collectively, not as 10 separate governments. They must make it clear to China that they do not desire a trade agreement based on free trade, such as the arrangements that the US, European Union, and Japan are pushing on them, but one where, as the weaker economies, the net benefits of the arrangement accrue to them, not China. They must see to it that the terms of association must be carefully negotiated and that they work closely to offset the dominance of the central power.

Yes, China's relationship with Southeast Asia cannot be described as an exploitative one. But unless considerations of equity are front and center in the negotiation of economic relationships between Beijing and its neighbors, the old structural patterns marking the relations between Southeast Asia and Europe, the United States, and Japan could easily be replicated.

### **The US-China Relationship**

The most critical regional relationship, however, is between the US and China, since the US is the most powerful power in East Asia and China the next most powerful.

In his stimulating book, *Adam Smith in Beijing*, the eminent political economist Giovanni Arrighi of Johns Hopkins University writes that there are three alternative policies that the United States can adopt towards a China that is on the ascendant.

The first is an updated version of the Cold War strategy of containment. In this strategy, China is seen as a strategic threat or, as the 2002

National Security Strategy Paper of the Bush administration puts it euphemistically, a “strategic competitor.” The US response would be to “dissuade China” from its military ambitions by giving a high profile to the massive American military presence in the Western Pacific, strengthening the bilateral agreements with US allies that sustain this trans-Pacific garrison state, and building up defense cooperation with India, Asia’s other big power. Needless to say, this response misconstrues the nature of the Chinese challenge, which is an economic rather than a strategic one. And, needless to say as well, this response would be disastrous for the whole world.

A second strategy is not to directly confront China as the US confronted the old Soviet Union but to put into motion balance of power politics, wherein China is weakened indirectly. Arrighi quotes James Pinkerton, a protagonist of this approach:

Instead of confronting directly the rising Asian powers, the United States should play them off each other. As the Latin expression *tertium gaudens*—the happy third—reminds us, rather than getting in the middle of every fight, sometimes it is better “to hold the coats of those who do.” For the US national interest, “a better Asia would be one in which China, India, Japan, and possibly another ‘tiger’ or two contend with each other for power while we enjoy the happy luxury of third party by-standing.”<sup>10</sup>

Needless to say, this strategy would also have terrible consequences for the region.

A third strategy, one that Arrighi identifies with two old faces from the 20<sup>th</sup> century, Henry Kissinger and Zbigniew Brzezinski, National Security Adviser to President Jimmy Carter, does not see China as a revisionist power but as one that wants to join the global *status quo*. The appropriate response for Washington is to accept China as part of the elite of the global state system and work with it in pursuit of international stability, in the same way that Britain, the hegemon of the 19<sup>th</sup> century, cooperated and made way for the United States, the hegemon of the 20<sup>th</sup> century.

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10 Giovanni Arrighi, *Adam Smith in Beijing: Lineages of the 21st Century* (London: Verso, 2007) p. 298



Arrighi prefers the third strategy. Indeed, though still in essence conservative in that it seeks to preserve the global *status quo*, this is by far a preferable American response. It is, however, the least likely to be adopted. The problem is that imperial America is not like imperial Britain. The US is ideologically an expansionist missionary democracy that will find it difficult to accept a No. 2 status without provoking a reactionary populist reaction among key segments of its population. Aside from its powerful corporate and strategic drives, providing leadership in the messianic enterprise of remaking the world along the lines of a liberal or neoliberal Lockean democracy is a fundamental driving force of US hegemony.

### **Civil Society, China, and America**

This conundrum inevitably leads to a discussion of how civil society, both in Asia and globally, ought to respond to the erosion of US hegemony and the ascent of China. In the best of all possible worlds, the US and China could be supporters of the drive to create a new world order built on peace, justice, and popular sovereignty. Unfortunately, we live in a less than ideal world.

With respect to China, the task of civil society is to pressure it, as it intensifies its engagement with the world, to resist the temptation of following the destructive imperial path trodden by Europe and the United States. It is also to push it to move away from the fossil-fuel intensive, consumption-oriented path of development pioneered by the West to one that is more ecologically sustainable and sensitive to equity issues. This will not be easy. Nevertheless, there are signs of hope, one of them being the rethinking of the direction of China's development that is going on among China's leaders. One can only agree with Arrighi when he says:

If the reorientation succeeds in reviving and consolidating China's traditions of self-centered market-based development, accumulation without dispossession, mobilization of human rather than non-human resources, and government through mass participation in shaping policies, then the chances are that China will be in a position to contribute decisively to the emergence of a

commonwealth of civilizations truly respectful of differences. But, if the reorientation fails, China may well turn into a new epicenter of social and political chaos that will facilitate Northern attempts to reestablish a crumbling global dominance.<sup>11</sup>

With the Chinese leadership's great concern for legitimacy both internally and internationally, one cannot say that the failure of the proponents of reorientation is a foregone conclusion. This is why pressure from international civil society for a change in economic strategy, for pro-environment policies, for the expansion of democratic rights, and for equitable relations with the developing countries must be kept up.

### **Towards a New American Isolationism**

Blunting Washington's innately hegemonic thrust will be much more difficult. Difficult but not impossible.

Perhaps the best strategy for civil society at this point is not so much to rely on appeals to American ideals but to continually point to the very high costs of intervention, in terms of soldiers killed, money spent, domestic strife, and credibility lost, to consistently campaign against any temptation for US forces to intervene on whatever grounds. Part of this strategy must be pressure for the removal of the US military bases from Asia and the Pacific and the neutralizing of the bilateral treaties between the US and a number of Asian countries. Aside from being the pillars for Washington's containment of China, these institutions are the main factors that prevent China and other East Asian countries from evolving a more mature relationship.

More broadly, the aim of civil society mobilization both in Asia and globally should be to encourage a new American isolationism. Barack Obama is definitely preferable to John McCain, but the world does not need a new American internationalism, this time of the liberal and "soft power variety." We should not tolerate a policy of withdrawing troops from Iraq, only to send them to Afghanistan in the name of defending

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11 *Ibid.*, p. 389.

human rights. We do not want in place of military confrontation, an aggressive diplomatic isolation of Iran led by a Democratic elite that is uncritical, as Obama is, of Israel. We do not want an obsession with the Middle East to be replaced with an obsession with destabilizing Hugo Chavez and restoring US influence in Latin America. And we should worry when Bill Clinton says, as he did during the Democratic Party convention, that one of Obama's objectives will be to "restore American leadership in the world." Asia does not need or want American leadership.

What Asia, like the rest of the world, needs is a vacation from a messianic United States, and a few decades of a withdrawn, self absorbed, isolationist America, paying attention to its domestic troubles and deterred by the high costs of the continued pursuit of hegemony globally, would be good for the region, good for everybody.

The Asia Pacific region, in sum, is pregnant with both dangers and possibilities, and there is, if anything, great indeterminacy, a great element of contingency on where we're heading. In times like this, when the possible and the impossible hang in a fine balance, it is important to remember the advice of that great Italian thinker Antonio Gramsci about balancing the pessimism of the intellect with the optimism of the will.

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