

Pacific Partners Outlook

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Governance: The Blind Spot in China's Narrative

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Australian political scientist Hugh White's argument that the coming century will be dominated by China and that, therefore, the most rational foreign policy course for Australia and others to follow would be to recognize China's dominance and align their countries accordingly has a gaping blind spot. Namely: governance. The truth is no countries in the Asia Pacific want to emulate Chinese governance models and the Chinese government is doing its best not to let its own increasingly empowered people know much about regional trends that are inarguably moving toward broader political participation.

Beijing is furious with the new Burmese government over its decision to halt construction of the Myitsone Dam at the top of the Irrawaddy River. China is working hard to shut down any news coverage of the Arab Spring. The transition to democracy in Indonesia, Prime Minister Najib Razak's political reform package in Malaysia, and even the Thai elections are topics that are decidedly not being promoted by the Chinese government and in public media circles.

While China's economic growth and dynamism are welcomed nearly unanimously, Beijing has rattled its neighbors in Asia by bearing its fangs on sovereignty issues in the South China (or East or West Philippine) Sea and in disputed waters around Japan such as the Diaoyu and Senkaku Islands. The region is now engaged in a collective and iterative research project to understand what China wants and how it will act as it continues to amass predominant economic power in the Asia Pacific.

Inside This Issue

THE WEEK THAT WAS

- Australia to become LNG giant
- New Zealand Defense Force to undergo major shake-up
- Kiwis suffer double credit downgrade
- Pacific Island leaders warn UN of rising water levels

LOOKING AHEAD

- President Obama to visit Australia November 16
- U.S. Marines to visit New Zealand

Australian and U.S. troops conduct a weapons demonstration during Talisman Sabre 2011, a biennial combined training exercise held in Queensland, Australia. Photo: <http://www.flickr.com/photos/compacflt/5936470018/>



Recent moves by Australia, New Zealand, and the United States have rightly focused on strengthening alliances and, in the case of New Zealand, a strategic partnership. Efforts have focused on security and economics.

Last month, the United States and Australia celebrated the 60th anniversary of ANZUS (the Australia, New Zealand, United States Security Treaty) and held one of the most substantive Australia-United States Ministerial Dialogues in recent history. Expect to see announcements about U.S.-Australia joint military facilities in Western Australia during President Barack Obama's visit to Canberra in mid-November. U.S. Marines are planning a historic visit to New Zealand in the coming months.

In addition, both Australia and New Zealand are engaged with the United States and six other countries in the Trans-Pacific Partnership (TPP) trade negotiations. Those negotiations will get a massive boost in Washington when and if, as hoped, the three current free trade agreements with Korea, Colombia, and Panama are passed by the U.S. Congress—perhaps in time for the state visit of Korean president Lee Myung-bak on October 12-13.

U.S. friends in Asia are counseling the Americans to embrace discussions of economics and trade in the East Asia Summit (EAS) when the leaders meet in Bali in November. To date, the perception in Asia is that the United States wants to put its trade and investment eggs in the Asia Pacific Economic Cooperation (APEC) and TPP baskets—a view that largely reflects current U.S. policy. Allies warn the United States that, as it engages for the first time in the EAS, it must welcome a balanced approach to developing regional architecture by tabling a forward-leaning trade agenda for the EAS to augment a more substantive security and political agenda, for which Washington is lobbying hard.

America's friends are right. A balanced approach is required to establish a strong and sustainable regional framework that is robust enough to eventually encourage the Chinese to assimilate and enjoy their growth, but at the same time play according to rules and norms it helps develop with other countries in the region, not necessarily those dictated by Beijing.

This is where the governance agenda becomes a vital pillar for the United States and its allies and partners. The key to this approach is to support the incredible developments around the region in terms of reform, empowerment of citizens, and strengthening institutions that promote broader political participation. No one country has a



Recent Chinese aggression in the South China Sea by patrols like this Jiangwei II class frigate, the Mianyang, have neighboring states worried about Beijing's intentions. Photo: <http://www.flickr.com/photos/crouchy69/5006900623/>



The Chinese government is working to minimize press coverage of the Arab Spring, shown here in Morocco. Photo: <http://www.flickr.com/photos/magharebia/5828800894/>

Governance: The Blind Spot in China's Narrative *(continued)*



The Obama administration has made the Trans-Pacific Partnership (shown here meeting at the Intercontinental Hotel in Yokohama, Japan, November 14, 2010) a high priority. Photo: <http://www.flickr.com/photos/nznationalparty/5202461341/>

perfect model, as we can clearly see from recent crises and protests in the region, but promoting good governance, transparency, and reform as a foundation for economic growth is a winning formula.

Eventually, this platform is likely to be compelling to China. In the meantime, it will give countries the confidence to participate in the positive economic boost from enhanced Asia Pacific economic integration, while building institutions, broadening participation, enjoying the impact of strong economic growth, and enhancing regional stability.

Hugh White is correct that China's rise will have a major impact on foreign and economic policy. But his idea that alignment with China, given its current norms and uncertain views about its claims to the South China Sea and other disputed territory, is inevitable and rational can and should be strongly challenged by a focus on strengthening governance in Asia.

The Week That Was



Liquid natural gas pipeline on an offshore site. Photo: <http://bit.ly/olG1Dn>.



International students take a break from classes at the University of Melbourne. New legislation will allow them to live and work in Australia for longer periods of time. Photo: <http://www.flickr.com/photos/kerfern/146061317/>

AUSTRALIA

Australia to become LNG giant. Australia is set to rival Qatar as the world's largest liquefied natural gas (LNG) producer after U.S. energy giant Chevron signed off on its \$29 billion Wheatstone project. The project, set in Western Australia's Pilbara region, will produce about 8.9 million tons of LNG per year and create 6,500 jobs. About \$140 billion has been invested in new LNG projects in Australia since 2007. Future investment could turn Australia into the world's biggest LNG exporter, ahead of the Middle East.

Restrictions on overseas students reduced. The Australian government has overhauled its student immigration policy, making it easier for foreign students to attend Australian universities and remain in the country after they graduate. A report on Australia's declining competitiveness in the education sector prompted the changes, including a rule allowing foreign students to work in Australia with less government supervision after graduation. The reforms have been met with near-universal approval from university and government leaders, but the impact on the education sector remains to be seen.

Australian treasurer Swan says Australia "rock solid" amid economic crisis. Despite the faltering economic conditions in Europe and the United States, Australia should feel confident, according to Treasurer Wayne Swan. Experts like David Murray, chairman of Australia's Future Fund, agree, but Murray warns against natural resource companies stifling the growth of other industries. An enormous Chinese appetite for raw materials has kept the Australian economy afloat, helping it grow 5 percent per year since the 2008 crisis. Swan argues that other nations should look to the Australian model and decries the partisan bickering in Washington.

India keen on Australian uranium. Indian foreign secretary Shyam Saran says the key to continued high economic growth in India is access to nuclear energy resources. Saran highlighted Australia's support of India as a member of the Nuclear Suppliers Group and India's "impeccable record" of nonproliferation as key reasons why Australia should export uranium to India. Despite New Delhi's assurances that the fissile material will be used for peaceful purposes, uranium sales have historically been a stumbling block between the two nations. However, analysts believe access to the enormous Indian market as an alternative to China may sway Canberra's decision to sell uranium to India. Saran repeated that India would not sign the Nuclear Non-Proliferation Treaty.

NEW ZEALAND

Kiwis plan major defense force shake-up. Defense Minister Wayne Mapp announced on October 3 that the New Zealand Defense Force is to be reshaped into a more mobile “Joint Amphibious Task Force.” Approximately \$2.36 billion will be spent on the expansion over the next 10 years, which will increase New Zealand’s frontline troop presence by 800 personnel for three-year deployments. The restructuring comes as New Zealand tightens its military ties with the United States and Australia in the largest expansion of its defense forces since World War II.

New Zealand suffers double rating downgrade. Standard & Poor’s lowered New Zealand’s credit rating one notch on September 30, adding the country to a growing number of economies whose credit profiles have been shaken by high debt and the uncertain global economic outlook. Earthquakes in Wellington and Christchurch contributed to the downgrade from AAA to AA+. Despite the drop, New Zealand continues to enjoy plenty of monetary and fiscal flexibility, and public debt remains modest. The downgrade has highlighted the far-reaching effects of the U.S. and European debt crises and dampened the outlook for global economic recovery.

“NZ to survive financial crisis,” says PM Key. New Zealand prime minister John Key reassured his nation last week by arguing that China’s continued economic growth will serve as a buffer against further financial downturn in New Zealand. Despite growth of just 0.1 percent in the quarter ending in June, the New Zealand Treasury and the Reserve Bank remain optimistic about the next two quarters of the financial year. Key stressed the need for a slightly lower exchange rate and for Asia’s economy to remain decoupled from the European crisis.

Chinese tourists to overtake U.S., British visitors. Chinese visitors will for the first time overtake western tourists in 2014. The Ministry of Economic Development’s updated predictions for 2011–2016 show Chinese tourists spending \$495 million, easily outstripping spending by U.S. and UK visitors. Australia will remain New Zealand’s largest market, but growing numbers of visitors from emerging nations like Malaysia and Indonesia will soon redefine Kiwi tourism. A total of 3 million tourists will visit NZ in 2016.

New Zealand PM meets Chinese vice premier. New Zealand prime minister John Key met with visiting Chinese vice premier Hui Liangyu in Wellington on September 29 and exchanged views on enhancing bilateral economic trade ties. Vice Premier Hui’s two-day visit focused



New Zealand Defense Forces attend a Memorial Day service at Old St Paul’s, Wellington, on May 30, 2011. Photo: http://www.flickr.com/photos/us_embassy_newzealand/5778239605/



About 2,000 Chinese gather in Aotea Square in Auckland to show their support for China. Photo: <http://www.flickr.com/photos/kelvinhu/2444726856/>

on the Sino-NZ free trade agreement, agriculture, environmental protection, and disaster relief. Next year marks the 40th anniversary of the establishment of diplomatic ties between the two countries.

PACIFIC ISLANDS

Pacific Island nations warn UN of rising water levels. Leaders from Tuvalu, Mauritius, and other island nations urged the United Nations General Assembly on September 24 to help “keep their states above water.” Tuvalu prime minister Will Telavi argued that the UN is moving too slowly to initiate projects despite many programs designed to reduce carbon emissions worldwide. Climate change has become an increasing problem for the Pacific Islands. Options for saving Pacific Island nationals include relocation of the population and large-scale financial aid.

5.2 level earthquake rocks Papua New Guinea. An earthquake measuring 5.2 on the Richter scale jolted Papua New Guinea on October 1, the U.S. Geological Survey said. The epicenter, with a depth of 42 miles, was about 111 miles southeast of Kimbe, the fast-growing capital of the province of West New Britain. There have been no reports of casualties or property damage.



Prime Minister Will Telavi of Tuvalu.

Photo: <http://www.flickr.com/photos/alexanderwinkler/6134828544/>

Looking Ahead



President Obama is scheduled to arrive in Australia on November 16, according to the White House. Photo: <http://bit.ly/n7T3ll>.

President Obama to visit Australia November 16-17. President Barack Obama will travel to Australia November 16-17 to mark the 60th anniversary of the ANZUS treaty. The president will meet with Prime Minister Julia Gillard to discuss expanding cooperation in global and bilateral trade. The Australia visit will fall between Obama's hosting of the Asia Pacific Economic Cooperation forum in Hawaii and his participation in the East Asia Summit in Bali, Indonesia. The president's Australia trip is the latest in the United States' attempts to reengage its allies in a revamped Pacific strategy.

U.S. Marines to visit New Zealand. American servicemen are expected to travel to New Zealand in 2012 for the 70th anniversary of the Marines' World War II landing. U.S. State Department and New Zealand Embassy officials have lauded the scheduled visit as an important ceremony displaying the strong ties between the two nations. In the face of rising economic ties between New Zealand and regional partners such as China, many experts have questioned American influence in the Pacific.

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