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ASIA RESPONDS TO ITS RISING POWERS
China and India

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Overview

The United States and Asia's Rising Giants
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EXECUTIVE SUMMARY

This chapter overviews the themes and conclusions of the volume, examining the causes behind the rise of China and India, the implications for the U.S., and the responses of other Asian states.

MAIN ARGUMENT:

China and India will likely sustain high levels of economic growth for some time due to favorable factor endowments, sensible national policies, and the benefits of late integration into the liberal international order maintained by U.S. power. Although the global dominance of Asia's rising giants is not inevitable, given that they both face significant domestic challenges, other Asian states are integrating economically with China especially, and at the same time are seeking ways to preserve their own security and autonomy against China's economic, political, and military ambitions. While India is far from becoming the central strategic focus of Asia, its internally powered rise foreshadows greater future possibilities and its democratic system makes it an attractive partner for other states seeking to counterbalance China's growing might.

POLICY IMPLICATIONS:

- Whereas the U.S. tolerated relative decline during the first wave of Asian ascendance due to alliances with Japan, Korea, Taiwan, and Singapore, the rise of China and India requires policymakers to grapple with managing the dilemma of sustaining economic interdependence that generates overall growth but produces new geopolitical rivals to U.S. primacy.

- The U.S. and India share a strategic affinity that neither can easily replicate with China. However, unlike the dependency developing between the U.S. and China, engagement with India has not yet produced a relationship deep enough that its failure would cost both sides dearly.

- The U.S. cannot presume that the extant international order will pacify a rising power such as China. Instead, the U.S. must seek to rebuild its strength and reinvigorate the Asian alliance system.

Overview

The United States and Asia's Rising Giants

Ashley J. Tellis

The rise of China and India exemplifies most dramatically Asia's resurgence in the global system. Although there has been a steady shift in the concentration of capabilities from West to East ever since the end of World War II, this transformation has gathered steam as the smaller early-industrializing nations of Asia—Japan, South Korea, Taiwan, and Singapore—have been joined by the large continental-sized states, China and India.

Both these giants have experienced dramatic levels of economic growth in recent decades. China's economic performance, for example, has been simply meteoric, exceeding even the impressive record set by the first generation of Asian tigers between 1960 and 1990. During the last 30 or so years, China has demonstrated average real growth in excess of 9% annually, with growth rates touching 13% and 14% in peak years. As a result, China's per capita income rose by more than 6% every year from 1978 to 2003—much faster than that of any other Asian country, significantly better than the 1.8% per year in Western Europe and the United States, and four times as fast as the world average. This feat has made the Chinese economy—when measured by purchasing power parity methods and other measures—the second largest in the world, with a GDP of roughly $10 trillion in 2010, and many scholars believe that China will likely overtake the United States in size of GDP at some point during the first half of this century.[1]

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[1] Ashley J. Tellis, "China's Grand Strategy: The Quest for Comprehensive National Power and Its Consequences," in *The Rise of China: Essays on the Future Competition*, ed. Gary Schmitt (New York: Encounter Books, 2009), 26; and Uri Dadush and William Shaw, *Juggernaut* (Washington, D.C.: Carnegie Endowment for International Peace, 2011), 3.

India's economic performance has not yet matched China's in either intensity or longevity. The country's economic reforms, which have produced its recent spurt in growth, began only in the early 1990s, a decade or more after China's. To date, these reforms have been neither comprehensive nor complete, and have been hampered by the contestation inherent in India's democratic politics, the complexity of its federal system, the lack of elite consensus on critical policy issues, and the persistence of important rent-seeking entities within the national polity. Yet, these disadvantages notwithstanding, the Indian economy has grown at about 7.5% during the first decade of this new century, thus eclipsing its own historic underperformance, enabling a doubling of per capita income about every decade, and placing the Indian economy, when measured by purchasing power parity methods, in fourth place globally with a GDP of approximately $4 trillion in 2010.[2] More interestingly, India's growth—unlike China's, which relies extensively on foreign capital and export markets—has derived largely from internal sources, leading many analysts to conclude that continuing economic reforms will enable the country not only to reach its targeted objective of sustained double-digit growth but to actually catch up with China in coming decades, since the trend growth rates between the two are comparable (see **Figure 1**).[3]

Even if these expectations are not borne out, the fact remains that China and India are likely to sustain their relatively high levels of GDP growth for some time to come. This continual accretion of economic power will likely position them among the top three economies internationally by the year 2050, if not earlier, thus conclusively confirming their status as global giants. This dramatic, and likely sustainable, increase in productive capabilities might at first sight appear surprising, given that most episodes of economic enlargement historically have been somewhat short-lived. Yet if the current predictions pertaining to China and India materialize, by 2050 their high economic growth rates will have continued more or less uninterrupted for a period of some 70 and 60 years, respectively—clearly an anomaly by historical standards.

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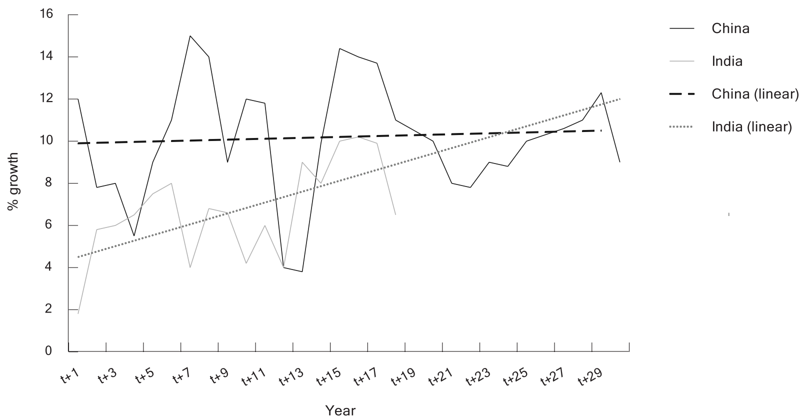
[2] Montek S. Ahluwalia, "India's Economic Reforms: An Appraisal," Planning Commission, Government of India, August 26, 1999, http://planningcommission.nic.in/reports/articles/msalu/index.php?repts=ier.htm; and World Bank, "GDP, PPP (current international $)," World Development Indicators, August 7, 2011, http://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD.

[3] Rajiv Kumar and Pankaj Vashisht, "Crisis, Imbalances, and India," Asian Development Bank Institute (ADBI), Working Paper, no. 272, March 2011, 20, http://www.adbi.org/files/2011.03.29.wp272.crisis.imbalances.india.pdf.

FIGURE 1 Post-reform growth rates for China versus India



SOURCE: Rajiv Kumar and Pankaj Vashisht, "Crisis, Imbalances, and India," Asian Development Bank Institute (ADBI), Working Paper, no. 272, March 29, 2011, 20, http://www.adbi.org/files/2011.03.29.wp272.crisis.imbalances.india.pdf.

NOTE: t = 1978 for China and 1991–92 for India.

Why Have the Asian Giants Grown So Fast?

Several variables, interacting in various ways, have contributed to the growth experienced in China and, more recently, India. The first and perhaps most obvious, but often overlooked, driver has been systemic: the liberal economic order built and sustained by the hegemonic power of the United States. This order, with its cluster of stable trading rules, durable economic institutions, a reliable international reserve currency, and protected commons through which merchandise and invisibles can be exchanged globally, created the preconditions that allowed the Asian giants to maintain their growth in ways that were rare historically.[4] China has clearly been the most conspicuous beneficiary in this regard. The United States jump-started Chinese economic growth by supporting the country's membership in the World Trade Organization and offering Beijing continual access to the large U.S. market despite reservations about some of China's trade practices, the character of its regime, and its mercantilist attitudes. This U.S. backing for China's integration into the global economy enabled Beijing to successfully implement its trade-driven strategy of growth, which relies substantially on both external

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[4] Michael Mastanduno, "System Maker and Privilege Taker: U.S. Power and the International Political Economy," *World Politics* 61, no. 1 (January 2009): 121–22, 124, 147–48.

markets and imported foreign capital for sustained expansion. Although one unintended, yet nevertheless problematic, consequence of this approach has been the creation of severe global imbalances—an outcome made possible by inadvertent but complicitous U.S. choices as well—Beijing's strategy has been wildly successful to date in that it has protected the opportunities for high rates of GDP growth.

Although India followed a different path compared to China, its dependence on the U.S. postwar international economic order has been no less significant. From access to international financial institutions, to the benefits of security for external trade, to the global market for services, not to mention the gains accruing from participating in the dollar-denominated international trading system, India has profited in different ways from the liberal international economic regime, which in effect created a favorable environment for the success of the country's reforms.[5] Although Indian economic growth has been driven largely by domestic consumption, this consumption has been financed by an increasing share of service exports and by a growing ratio of trade to GDP. Not surprisingly, then, Indian prime minister Manmohan Singh has become the biggest champion of both the rules-based liberal order and the United States, arguing on several occasions during the recent economic crisis that Washington must regain its strength in order to preserve the viability of the existing global system that has served the developing world, and especially India, all too well.

If American hegemony created the context for the rise of China and India, the fact that both countries started their most recent growth spurts from relatively low levels of development only helped further. That China and India were still largely underdeveloped when they began their reforms implies that their economies were located at levels below their potential production-possibility frontiers. In other words, both states had considerable resources that were not being productively employed, either for want of opportunities or because of the absence of appropriate catalyzing mechanisms. The advent of economic reforms in each country, centered on the revitalization of internal markets and the progressive rollback of state control, spurred the utilization of these hitherto unused resources to create new and higher levels of economic growth.[6] In India, economic reforms

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[5] For different aspects of India's linkages with the larger liberal international order, see Sanjaya Baru, *Strategic Consequences of India's Economic Performance: Essays and Columns* (London: Routledge, 2007).

[6] For useful comparisons of China's and India's growth stories, see Nirupam Bajpai, Tianlun Jian, and Jeffrey D. Sachs, "Economic Reforms in China and India: Selected Issues in Industrial Policy," Harvard Institute for International Development, Development Discussion Paper, no. 580, April 1997; Pranab Bardhan, "Awakening Giants, Feet of Clay: A Comparative Assessment of the Rise of China and India," *Journal of South Asian Development* 1, no. 1 (2006): 1–17; and Lawrence R. Klein, "China and India: Two Asian Economic Giants, Two Different Systems," *Applied Econometrics and International Development* 4, no. 1 (2004): 7–19.

resulted in previously accumulated pools of capital—physical, financial, and human—being employed in more disciplined ways, subject to the laws and constraints of the market. The increasing returns produced as a result of more efficient investment not only reduced the allocative distortions throughout the economy but also generated enhanced opportunities in many arenas, thus stimulating even more investment in all areas of demonstrated profitability. Against the backdrop of dividends produced by previous state investments in building institutions, mobilizing savings, and creating human capital, the progressive alignment of market prices with relative scarcity thus paid off in increased growth rates resulting from productivity growth in the services sector and more effective accumulation in agriculture and industry.[7]

The Indian production-possibility frontier thus moved outward as a result of both productivity growth and the mobilization of fallow resources, thanks to the creation of new open markets in at least some segments of the economy. The Chinese growth story resembles the Indian experience in some ways, but with important differences. While China's growth rates have been more dramatic than India's, this expansion has occurred because of significant productivity gains, especially in industry, coupled with energetic resource mobilization. The latter phenomenon, however, may not always be necessarily virtuous if economic expansion ends up being fueled by what economists term "extensive" growth, where increased inputs account for growing marginal outputs. In the case of China, the propensity for extensive growth derives from a confluence of two factors: an authoritarian polity and the liberalization of commodity, but not always factor, prices. Since critical factors of production such as land and capital are still controlled by the state rather than the market, they have often been mobilized in accordance with political interests rather than allocative efficiency. Although marshaled ruthlessly when required, such resources have often been utilized wastefully and unproductively, leading to extensive environmental despoliation and inefficiency in many areas compared to India as well as China's other peers.[8] While the long-term sustainability of such practices is suspect, the important point is that China's high contemporary growth rates are engendered in part because its initially low levels of development permitted extensive growth strategies, which allowed for the absorption of the undeveloped resources that exist when any state subsists below its potential production-possibility frontier.

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[7] For the best single-volume analysis of India's economic growth thus far, see Arvind Panagariya, *India: The Emerging Giant* (New York: Oxford University Press, 2008).

[8] See Prem Shankar Jha, *Crouching Dragon, Hidden Tiger: Can China and India Dominate the West?* (New York: Soft Skull Press, 2010).

If the existence of substantial latent resources waiting to be mobilized has proved a distinct benefit to China and India because they began their growth spurts from low levels of development, the fact that both countries have ascended later than the currently leading states has also proved advantageous. In a celebrated essay, "Economic Backwardness in Historical Perspective," published in 1962, Alexander Gerschenkron identified the dramatic advantages accruing to "late industrializers."[9] Noting that states developing later than the leaders of the pack gain because they do not have to, in effect, reinvent the wheel, Gerschenkron contended that late industrializers are likely to enjoy higher rates of growth and higher average degrees of capital intensity because they can emulate production techniques already in existence, exploit the externalities deriving from extant technologies and industrial processes, and avoid acquiring the outmoded capital stocks possessed by the early modernizing cohort.[10] Both China and India have profited handsomely from late development. As the example of wireless communications demonstrates, both countries have been able to unify their huge landmasses by employing such technologies far more easily in comparison to early industrializers who achieved the same gains but through the far more cumbersome route of physically laying copper wire across vast distances.

Because newer technologies are more capital intensive, however, the average capital intensity and levels of investment in late developers also tend to be higher compared to early starters, ultimately with positive impact on their growth rates. In this regard, China's and India's abilities to achieve high growth rates have been aided considerably by their abilities to absorb technology that, thanks to globalization, is now more accessible than ever before. This advantage has produced progressive increases in the total factor productivity of each country, which, although not matching that of the United States, still remains at decent levels compared to their peers in other developing countries. Increased productivity, in turn, has enabled both states to achieve increasing returns to scale in many sectors early in their development cycles and, by extension, has contributed to their historically atypical superior growth rates. These gains in productivity are often reflected in their appreciating exchange rates—greater productivity implies that their currencies become more valuable relative to other counterparts—which increase their purchasing

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[9] Alexander Gerschenkron, "Economic Backwardness in Historical Perspective," in *Economic Backwardness in Historical Perspective: A Book of Essays* (New York: Praeger, 1962).

[10] C.P. Chandrasekhar, "Alexander Gerschenkron and Late Industrialization," in *The Pioneers of Development Economics: Great Economists on Development*, ed. Jomo Kwame Sundaram (London: Zed Books, 2005), 181–92.

power in international markets and make both countries more attractive trading partners.[11]

While China and India have thus been beneficiaries of favorable structural conditions, their high growth rates are also due to their own enlightened national choices. In both cases, credit must be given to their governments and elites who have sought to maintain the requisite institutional frameworks that have allowed their slowly liberalizing markets to work their magic.[12] On this score, China has perhaps done better than India by some measures. Beijing's capacity to exercise both self-control and social control—the former referring to the ability to set goals, the latter to the ability to attain goals—has been impressive, partly because of China's authoritarian system. In contrast, the fact that India has managed to do as well as it has economically, despite critical weaknesses in state infrastructural capacity, is also a marvel, but Indian growth could be at risk over the longer term if its polity fails to rectify current deficiencies in national performance. Although China's successes here thus far are striking, they are by no means impregnable. In fact, the record suggests that China has not yet done as well as it should in regard to either extraction or the regulation of social relations—despite the presence of authoritarian politics—and its command polity will be increasingly at odds with the market liberalism, however segmented, that has hitherto produced its most impressive successes. The long-term social foundations of growth in both China and India are thus more fragile than is sometimes recognized, and this reality has only been obscured by the impressive achievements of the last decades.[13]

Until the moment of reckoning, however, the evidence suggests that Chinese and Indian state and societal choices have had critically beneficial consequences for growth. Two good examples are China's decisions to create incentives for manufacturing and India's continued investments in sustaining service exports after this sector initially took off outside state attention. But the state-society decisions that produced increased national savings and investments are perhaps among the most important drivers of these countries' impressive growth rates. In contrast to the West, where

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[11] Chinese productivity has been examined in Carsten A. Holz, "Measuring Chinese Productivity Growth, 1952–2005" (unpublished manuscript, 2006), http://www.oecd.org/dataoecd/46/45/37601286.pdf; and India's productivity growth is examined in Deb Kusum Das et al., "Total Factor Productivity Growth in India in the Reform Period: A Disaggregated Sectoral Analysis" (paper prepared for the first WORLD KLEMS conference at Harvard University, Cambridge, August 19–20, 2010), http://www.worldklems.net/conferences/worldklems2010_das_wadhwa.pdf.

[12] For an excellent comparative analysis of China and India by sector—and the role institutional choices have played—see Joseph C.H. Chai and Kartik C. Roy, *Economic Reform in China and India* (Northampton: Edward Elgar Publishing, 2006).

[13] The concepts of self-control and social control are discussed in Ashley J. Tellis et al., *Measuring National Power in the Post-Industrial Age* (Santa Monica: Rand Publishing, 2000), 108–21.

private savings have hovered around 20%–25% of GDP in the Euro area and have stayed well under 10% in the United States, as well as to Japan, which saves about 25%–30% of GDP, China's private savings rate has consistently exceeded 40% of its domestic product. When government savings are included, it exceeds 50% of GDP, and this average savings rate has only been rising over time.[14] India's savings rate, in contrast to China's, has been much lower—it now stands at some 35% of GDP—but it is higher than all the Organisation for Economic Co-operation and Development (OECD) countries. The significantly higher savings rates in China and India—partly a product of conscious government policies, partly a rational private response to the absence of public safety nets—have nonetheless contributed to sustaining relatively high rates of investment, which then find reflection in impressive national growth. It would therefore be ironic if the Chinese disinclination to consume, though currently contributing to high national rates of growth, were to undermine its past success by subverting successful global rebalancing, which is necessary if long-term Chinese growth is to be preserved on sustainable terms.

While the capital provided by high savings rates in China and India has been critical to fueling the impressive growth witnessed in both countries, this economic expansion could not have been maintained without consistent labor force growth. As neoclassical economics has long demonstrated, economic growth ultimately derives from the injection of technology, capital, and labor in varying proportions.[15] Although any one of these factors of production can be substituted, within limits, for deficits in another, it has long been a truism that labor force growth is critical for economic expansion because human beings are the ultimate producing and consuming engines that make an economy run. Both China and India have thus benefited greatly from having large populations that can be employed productively to create the largest possible pool of goods and services, whose trade yields the incomes that are saved and invested to further extend the cycle of growth.

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[14] Guonan Ma and Wang Yi, "China's High Saving Rate: Myth and Reality," Bank for International Settlements (BIS), Working Paper, no. 312, June 2010, 7, http://www.bis.org/publ/work312.pdf; and John Ross, Dong Nan, and Li Hongke, "Savings in India, Germany, Japan, the U.S. and China," Key Trends in Globalisation, web log, January 9, 2010, http://ablog.typepad.com/keytrendsinglobalisation/2010/01/saving-by-india-germany-japan-the-us-and-china-by-john-ross-dong-nan-and-li-hongke.html.

[15] For a useful overview, see F.H. Hahn, "Neoclassical Growth Theory," in *The New Palgrave Dictionary of Economics*, 2nd ed., ed. Steven N. Durlauf and Lawrence E. Blume (New York: Palgrave Macmillan, 2008). For a survey of neoclassical growth theories in comparison to their competitors, see Michael P. Todaro and Stephen C. Smith, *Economic Development*, 10th ed. (Harlow: Addison-Wesley, 2009), chap. 3.

When compared to the OECD countries, the expansion of the Chinese and Indian labor force has indeed been impressive—at least where raw numbers are concerned. But what has been even more significant are the choices each state made historically with regard to advancing its human capital. China's past investments in public health, educational attainment, and life expectancy have paid off handsomely in creating the labor pool that today sustains its economic expansion.[16] India, in contrast, has done less well on each of these three counts, except for its historic overinvestment in tertiary education, which has provided the means for sustaining a large middle class, stimulating an innovation economy, and supporting a services sector that underwrites the information technology industry worldwide.[17]

Yet in both countries different issues pertaining to labor cast a dark shadow on the prospects of future growth. China's "one child" policy, which for years was upheld as an example of how third world countries ought to control their populations, now threatens to short circuit the country's future economic growth because it has resulted in a smaller proportion of working-age individuals at precisely the time when the dependency ratio—the number of people of non-working age, both young and old, as a proportion of those of working age—is certain to almost double. This transformation makes it likely that China will grow old before it grows rich, at least in per capita terms. While high growth rates can undoubtedly be sustained in the interim by importing capital or increasing the rate of innovation, there is simply no way for China to sustain high growth rates over the secular period if its labor force contracts inexorably.

India, in contrast, has a favorable demographic profile: specifically, its dependency ratios are falling. By 2030, it is projected to have a dependency ratio of 0.4, meaning that there will be more bread winners than dependents in India's large but steadily stabilizing population. The benefits for savings, investment, and growth are obvious, but, in India's case, there is an unwelcome catch: much of its young population is uneducated, lacks access to adequate health care and nutrition, and suffers increasingly from dreadful sex-ratio imbalances due to pernicious social attitudes. The much-vaunted Indian "demographic dividend" that many analysts presume will sustain the country's long-term growth inexorably could thus prove to be more evanescent than usual if the Indian state fails to remedy its human capital deficiencies in a hurry. Although these challenges are well

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[16] Thomas G. Rawski, "Human Resources and China's Long Economic Boom," *Asia Policy*, no. 12 (July 2011): 33–78.

[17] Devesh Kapur, "The Causes and Consequences of India's IT Boom," *India Review* 1, no. 2 (April 2002): 91–110.

recognized in India, its weaknesses in program implementation could come to haunt it in the years to come.[18]

How Does the Rise of the Asian Giants Impact the United States?

The foregoing discussion suggests that the impressive rise of China and India is likely to continue for a while longer because both countries have favorable factor endowments, are pursuing sensible national policies, and benefit greatly as late modernizers from the liberal international order maintained by U.S. power. Yet their global dominance cannot be treated as simply inevitable. Both nations are confronted by a variety of domestic challenges—social, economic, and political—that have yet to be satisfactorily managed, even as there are uncertainties about the durability of the supportive international order given the current infirmities of the United States.

This incertitude notwithstanding, the continuing growth of China and India will likely remain a fact of life in the policy-relevant future. It has already proved to be an enormously consequential development domestically, regionally, and globally. Domestically, the high growth rates enjoyed by China and India have resulted in moving millions of people out of poverty and toward the promise of a better life; growth has helped create an empowered middle class in both countries as well as a smaller class of wealthier citizens who offer the hope of helping to renegotiate state-society relations over time.[19] Regionally, the rise of China and India has created opportunities for deeper economic integration beyond their borders. This is already the case where China is concerned: all the peripheral countries, to a greater or lesser degree, are now economically intermeshed with China either as suppliers of raw materials, capital, or technology or as markets for Chinese exports. Regional integration in the case of India still remains a work in progress partly because of India's domestically driven growth strategy and partly because geography and poisonous South Asian geopolitics have prevented the regional states from benefiting as much as

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[18] See the very sobering assessment of China and India in Nicholas N. Eberstadt, "Asia-Pacific Demographics in 2010–2040: Implications for Strategic Balance," in *Strategic Asia 2010–11: Asia's Rising Power and America's Continued Purpose*, ed. Ashley J. Tellis, Andrew Marble, and Travis Tanner (Seattle: National Bureau of Asian Research, 2010), 236–77.

[19] See Zhou Xiaohong and Qin Chen, "Globalization, Social Transformation, and the Construction of China's Middle Class," in *China's Emerging Middle Class: Beyond Economic Transformation*, ed. Cheng Li (Washington, D.C.: Brookings Institution, 2010), 98–100; and Leela Fernandes, *India's New Middle Class: Democratic Politics in an Era of Economic Reform* (Minneapolis: University of Minnesota Press, 2006), 215.

they could otherwise have from India's economic expansion.[20] Globally, the rise of China and India has moved the international production-possibility frontier further outward as a result of more effective specialization. China not only has become the newest workshop of the world and India the most economical provider of IT services, but the consumptive patterns now exhibited by their populations of over two billion progressively drive increases in global aggregate demand, thus making the two states the critical motors of global economic growth.[21]

All these realities imply that the rise of China and India represents largely good news for the United States (and the global system), at least from an economic perspective. The story at the level of international politics, however, is a little more complicated. And from this vantage point, the customary conflation of China and India as Asia's "emerging giants" breaks down because each nation encounters the United States (and the international system more generally) in dramatically different ways.

At the most fundamental level, China's larger size and substantially superior growth rates, which have persisted far longer than India's, place it on a path that could result one day in China overtaking the United States in gross economic strength, if no consequential internal or external disruptions occur in the interim. This possibility, portended by the current trend lines defining relative economic growth, suggests the prospect of a coming power transition wherein the existing hegemonic power, the United States, could be replaced by the rising alternative, China.[22] Because India's growth rates have been neither close to China's nor as prolonged—despite being high in absolute and historical terms—the probability of India surpassing the United States in economic power is insignificant by comparison. Hence, the attention garnered by Beijing as a likely competitor, and perhaps even a direct antagonist, to Washington in power-political terms does not quite carry over to India.

The fact that Beijing and New Delhi are locked into a complex rivalry of their own—a product of their extant territorial disputes, mutual efforts at encirclement and counter-encirclement, direct military competition, and competitive efforts at alliance making and breaking in regard to states along

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[20] See Michael R. Chambers, "Rising China: The Search for Power and Plenty," in *Strategic Asia 2006–07: Trade, Interdependence, and Security*, ed. Ashley J. Tellis and Michael Wills (Seattle: National Bureau of Asian Research, 2006), 65–103; and Devesh Kapur and Kavita Iyengar, "The Limits of Integration in Improving South Asian Security," in ibid., 241–69.

[21] World Bank, "Global Economic Prospects: Maintaining Progress amid Turmoil," June 2011, http://siteresources.worldbank.org/INTGEP/Resources/335315-1307471336123/7983902-1307479336019/Full-Report.pdf.

[22] For an excellent examination of this prospect, see Ronald L. Tammen and Jacek Kugler, "Power Transition and China–U.S. Conflicts," *Chinese Journal of International Politics* 1, no. 1 (2006): 35–55.

their mutual peripheries—in circumstances where Beijing and Washington view each other warily because of the prospect of a power transition at the core of the global system increases the strategic affinity between the United States and India in a way that is hard to replicate in the case of China and the United States.[23] After all, as Kautilya elaborated as early as the fourth century BCE in Book VI of his treatise *Arthashastra*, "the enemy of my enemy must be my friend."

While the threat of a future power transition conditions American attitudes toward China today—attitudes that are likely to become more rivalrous and even hostile as Chinese power grows more comprehensively—India's potential to become a significant U.S. partner, either explicit or tacit, only increases. Given the proximity of the two Asian giants, China's rise could undermine India's security, autonomy, and standing, even before the United States is affected directly. Even if this were not the case, however, American attitudes toward China are characterized by growing discomfort because rising Chinese strength has spawned three distinct challenges for Washington that simply have no counterparts in its relationship with New Delhi.

First, China's rapid economic growth has produced painful economic challenges for the United States.[24] Although the U.S. economy undoubtedly benefits doubly—first, from low-cost Chinese products and, second, from Chinese capital exports—these gains have come at the cost of considerable deindustrialization at home and an acute dependence on capital from abroad. Although economists would lucidly explain these transformations in terms of both national policies and shifting global patterns of comparative advantage, the loss of U.S. manufacturing domestically and its accompanying risks to the American middle class have left the United States in a situation where China, for all the benefits produced by its growth, has become a significant threat to specific sections of the U.S. economy. While India too is sometimes seen to mount similar challenges in the service sector, the fact that its economic growth is internally driven, its exchange rates are set by the market, and its bilateral trade with the United States is quite modest—unlike China on all counts—makes New Delhi a relatively insignificant threat to American prosperity and growth.

Second, the economic challenge posed by China, which affects millions of Americans in their everyday lives, is increasingly complemented by a

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[23] For more, and different, perspectives on the Sino-Indian relationship and its impact on the United States, see Francine R. Frankel and Harry Harding, ed., *The India-China Relationship: What the United States Needs to Know* (Washington, D.C.: Woodrow Wilson Center Press, 2004).

[24] Douglas Holtz-Eakin, "Economic Relationships between the United States and China," statement before the Committee on Ways and Means, U.S. House of Representatives, Congressional Budget Office (CBO), CBO Testimony, April 14, 2005, 11, http://www.cbo.gov/ftpdocs/62xx/doc6274/04-14-ChinaTestimony.pdf.

geopolitical challenge to the United States' status as a hegemonic power, potentially globally but most immediately in Asia.[25] For most of the postwar period, U.S. influence in Asia was uncontested, thanks to the United States' unrivalled economic strength, strong economic ties with key Asian states, and robust security umbrella manifested through the hub-and-spoke alliance system. Even at the high tide of Soviet supremacy, Moscow's coercive reach in Asia was much more modest than its capabilities in Europe. The recent rise of China threatens for the first time to undermine a core U.S. objective in Asia—namely, to prevent the domination of the continent by any indigenous power that might over time accumulate sufficient strength to control the region's resources and eventually threaten the United States' local allies or even U.S. security itself. The prospect that China might integrate the Indo-Pacific periphery through a network of trading relations that could become the foundation for an impermeable sphere of influence centered on Chinese economic, geopolitical, and cultural primacy in Asia is deeply threatening to U.S. interests at a time when many regional states find themselves increasingly pulled by China's growing power-political mass. India, in contrast, poses no comparable challenges to the United States in Asia and beyond—and, if anything, has been slow to parry China's rising influence along its periphery, despite repeated entreaties by the United States and other Asian nations to do so.

Third, the growing geopolitical challenge represented by China in Asia both to the United States and to its littoral friends and allies is increasingly substantiated by the military challenges deriving from the rapid modernization of the People's Liberation Army (PLA).[26] This modernization, when complete, will radically undermine a key precondition for strategic stability in Pacific Asia, namely, the U.S. ability to assist its allies unimpeded when they are threatened by external dangers. PLA investments to deny the United States easy access to the Asian periphery, though motivated initially by a desire to resolve the Taiwan imbroglio favorably in the face of possible U.S. interference, have evolved in the direction of maintaining a substantial maritime zone of influence some one thousand nautical miles from Chinese shores. The Chinese military capabilities now being developed for this purpose effectively challenge the traditional U.S. command of the maritime, cyber, and space commons, all of which are essential for the successful discharge of U.S. extended deterrence obligations in Asia. These capabilities

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[25] Aaron Friedberg, "The Struggle for Mastery in Asia," in *South Asia in 2020: Future Strategic Balances and Alliances*, ed. Michael R. Chambers (Carlisle: Strategic Studies Institute, U.S. Army War College, 2002), 449–72.

[26] A useful overview of the Chinese military challenge can be found in Richard D. Fisher Jr., *China's Military Modernization: Building for Regional and Global Reach* (Westport: Praeger Security International, 2008).

also lay the foundation for challenging the security of the key regional states perceived to be Chinese rivals, while increasing the threats that China can mount against the U.S. homeland over time. On all these counts, India not only does not pose a similar challenge to the United States but is actually threatened directly by many of the capabilities now entering into service in the PLA. The incentives for closer U.S.-Indian cooperation in defense matters, then, only become more pressing.

These three reasons considered together provide the United States—though it welcomes the economic rise of both China and India—with sufficient justification to treat the former with a degree of caution that also warrants deepening ties with the latter by way of precaution. This dynamic is only reinforced by the character of the regime in each country. China's authoritarian dispensation, its long history of superordination in East Asia, and its troublesome streak of nationalism domestically make it highly suspect in the eyes of most U.S. policymakers and in important parts of the Indo-Pacific region. By contrast, India's democratic polity, with its liberal orientation and its culture of strategic restraint, makes New Delhi almost automatically a desirable partner for Washington as well as for many other Asian capitals. That India also happens to be a large, rapidly growing, militarily potent, continental entity capable of cooperating with other regional states (especially the democratic nations in Asia) to create the objective structural constraints that could discourage Beijing from abusing its growing strength—even as all Asian countries and the United States preserve strong economic ties with China—creates a virtuous combination where power and liberty combine to support a subtle U.S. strategic policy that enhances continental stability.

The necessity for such subtlety grows out of the structural predicament that defines the second wave of Asian success. During the Cold War, Asian success was manifest by the emergence of new industrializing states such as Japan, Korea, Taiwan, and Singapore. All these states grew as a result of their progressive integration into the U.S.-led liberal trading order. Their growth, though undoubtedly signaling the United States' relative decline, was in any event a desirable outcome because it implied an overall strengthening of the Western alliance in its struggle against the Communist coalition led by the Soviet Union. Because the Soviet Union and its allies were not part of the liberal economic order promoted by the United States, the economic regime fostered by Washington internationally did not undermine the political goal of containing the Warsaw Pact states. In fact, the tight economic interdependence among U.S. alliance partners, coupled with strong autarky across the competing geopolitical blocs, implied that the strategic containment of adversaries and the economic integration among allies dovetailed perfectly. In these circumstances, the United States could tolerate its own relative decline because such a deterioration occurred only vis-à-vis its friends, while the Western alliance as a whole became ever more powerful vis-à-vis its enemies.[27]

The second wave of Asian success, however, has generated contradictions in the traditional U.S. strategy of expanding the liberal economic order. Because the new rising powers, China and India, are ascending in part because they are embedded in the liberal international regime underwritten by the United States—even though they are not U.S. allies and could well become its geopolitical competitors over time—the second wave of Asian accomplishment has brought to the fore two critical dilemmas that brook no easy solutions. To begin with, the growing economic interdependence between the United States and the new Asian giants has indeed accelerated increases in growth and welfare across the international system, but at uneven rates among its key constituents. This dynamic, then, raises the prospect of the return of the "relative gains" dilemmas, which arise when states become sensitive to the fact that others, especially their competitors, might be growing at faster rates. When uneven growth occurs among allies—as was the case during the first wave of Asian success—the consequences are rarely deleterious because no member of the coalition expects that the faster-growing partners would utilize their increases in capability to challenge their allies. In current circumstances, however, this contingency becomes a realistic prospect because neither China nor India is a formal ally of the United States, and, hence, they are not bound to refrain from using their increased capabilities to undermine larger U.S. interests.

Given this possibility, it is not surprising that the rise of the new Asian giants, while obviously beneficial to the United States in many ways, is nonetheless raising old questions about whether the expanded liberal order is an unambiguous good if its net result is the creation of new economic rivals who could threaten the well-being of the United States. If Beijing and New Delhi were Washington's alliance partners, this problem might have been somewhat mitigated—though not necessarily, if the concerns about Japan's ascent during the 1980s are any indication. But this problem is certainly exacerbated by the possibility that at least one country, China—the faster-growing and the more capable of the two Asian giants, with an authoritarian regime to boot—appears poised to become a serious geostrategic competitor to the United States.

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[27] For an elaboration of this argument, see Ashley J. Tellis, "Power Shift: How the West Can Adapt and Thrive in an Asian Century," German Marshall Fund of the United States, Asia Paper Series, January 2010, http://www.gmfus.org/galleries/ct_publication_attachments/AsiaPowerShiftGMFPaper.pdf.

This danger, in turn, raises more central questions: Is the current U.S. strategy of expanding the liberal international order actually breeding new rivals and producing new competitors and new threats to Washington's power and dominance? And if it is, is it worth the cost? A positive answer to the second question could be defended if, at the end of the day, the liberal international system would assuredly defang the harmful ambitions of all new rising powers. Liberal conceptions of international politics suggest that this outcome will in fact obtain and, hence, that even the reigning hegemon ought to view all emerging powers that are part of the open international order with equanimity.[28] U.S. policymakers, however, tasked with the responsibility of protecting U.S. power, interests, and standing in the global system, cannot presume that the extant international order will inevitably pacify a rising power such as China, which has its own history and traditions of primacy and now the power and ambitions to match them. Hence, they must grapple with that axial problem confronting statecraft in this new century: How does Washington manage the dilemma of sustaining the economic interdependence that generates overall growth but simultaneously produces new geopolitical rivals to American primacy?

Clearly, the answer cannot consist of jettisoning the liberal economic order and the global interdependence engendered as a result of 60 years of conscious U.S. policy. An alternative approach could of course be implemented but would involve a radical renovation of the current strategy and the existing global order—and its success would by no means be certain. Consequently, U.S. policy has settled for upholding the liberal economic order so that the country may continue to enjoy the welfare benefits of global interdependence, while at the same time seeking to protect the nation against its potential geopolitical downside. The twin pillars of this evolving insurance strategy consist of, first, rebuilding the sinews of U.S. strength, primarily economic but also military—a task that has not gotten off to a great start—and, second, reinvigorating the Asian alliance system surrounding China by deepening existing formal alliances and supplementing them with new partnerships involving key states, such as the other rising power, India—a project that has, at least in relative terms, been far more successful. Washington's effort to develop a new strategic partnership with New Delhi, first initiated by President George W. Bush and now continued by President Barack Obama, thus constitutes

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[28] The most cogent defense of this proposition has been provided by G. John Ikenberry, "The Rise of China and the Future of the West: Can the Liberal System Survive?" *Foreign Affairs* 87, no. 1 (January/February 2008): 23–37; and G. John Ikenberry and Anne-Marie Slaughter, "Forging a World of Liberty Under Law: U.S. National Security in the 21st Century," Final Paper of the Princeton Project on National Security, Princeton Project Papers, Woodrow Wilson School of Public and International Affairs, September 27, 2006, 47–51, http://www.princeton.edu/~ppns/report/FinalReport.pdf.

a quintessentially realist solution to a predicament engendered by a long-standing liberal internationalist policy.[29]

While this solution is eminently sensible and constitutes one way out of a difficult conundrum, it is constantly challenged by the reality that the United States is locked into a relationship of tight interdependence with its potential chief rival, China, while enjoying weaker economic links with its potential key ally, India. Thus, although Beijing may threaten Washington's regional and global interests more than India ever might, the United States is compelled to be more cautious in how it responds to any challenges involving China because the pain associated with a devastating meltdown implicating Beijing is very high. All engagement with India, in contrast, while desirable and important, generally falls short of being compelling because neither Washington nor New Delhi has yet been able to deepen the relationship to a point where a failure of the partnership would end up costing both sides dearly.

The irony, therefore, is that despite fears and suspicions being greater in the U.S.-China relationship, this interaction has turned out to be the more important of the two dyads. Hence, the attention it incurs is stronger because both the benefits of success and the penalties of failure are relatively high. The U.S.-India relationship, by way of comparison, lacks such intensity and thus remains consigned primarily to the arena of the desirable—at least for now. As a result, this bilateral partnership risks forgoing the protection and the benefits that might otherwise arise from a tighter embrace. While the United States would undoubtedly value deeper cooperation—and, in fact, craves it—India's traditional yearning for strategic autonomy, the inability of its leaders and elites to carry a consensus in favor of a stronger affiliation, and the failure of its government to pursue consistent and coherent policies vis-à-vis Washington—the travails of a postcolonial democracy in a complex society—all end up exposing India to greater strategic risk in the face of rising Chinese power.

As the Sino-Indian War of 1962 ought to have demonstrated, the current Indian willingness to discount the benefits of tighter coordination with the United States, an arrangement that protects India in the face of its inability to successfully balance China through internal means alone, could end up leaving New Delhi in a situation where it lacks the resources within and without to cope with the worst depredations of Chinese power. To be sure, India is much stronger today than it was in 1962, and it will only get stronger over time. But the essence of its predicament is still the same—and shows no signs of easing—because power in the international system

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[29] Ashley J. Tellis, "Indo-U.S. Relations Headed for a Grand Transformation?" *YaleGlobal*, July 14, 2005, http://yaleglobal.yale.edu/content/indo-us-relations-headed-grand-transformation.

is always relative and, for the moment at least, Chinese power appears to be outstripping India's across almost every dimension and in some cases by orders of magnitude.

The Indian calculus may over time, however, prove to be right. That is, New Delhi's quest to preserve its strategic autonomy and avoid unnecessary entanglements with the United States may turn out to be justified if, as many Indian analysts argue, Indian growth rates begin to approximate China's current pace at some point in the future (while China's own prospective growth rates begin to flag), and the Indian economy begins to rival China's in technological capacity, if not in size. If such an outcome obtains, India's desire to stay "nonaligned" in the interim will have paid off. But much can happen in this interim, and not all of it good for either India or the United States, while the interregnum itself could prove to be extended and long-drawn. In such circumstances, not only would India find itself potentially adrift, but the United States would also be hard-pressed to justify preferential involvement with India at a time when U.S. relations with China—however problematic they might be on many counts—are turning out to be deeper, more encompassing, and, at least where the production of wealth is concerned, more fruitful.

Echoing the U.S. Predicament: Asia Responds to Its Rising Giants

If this volume demonstrates anything clearly, it is that the U.S. predicament detailed above in regard to China and India is replicated in the case of almost every Asian state, except Pakistan. Outside of Pakistan, every Asian state or region examined remains profoundly entwined with China economically. Each values the material benefits that commercial intercourse with China brings to it individually or to the larger environment; yet each is in different ways deeply concerned about Beijing's long-term objectives as China rises in power. Consequently, each entity seeks to protect its security and autonomy vis-à-vis Beijing, but without forsaking the material gains that come from tighter economic integration.

The range of choices in this context is complex. A state can choose to exploit the positive externalities flowing from the complicated U.S. deterrence-cum-engagement of China; or it can formally (or tacitly) ally with the United States even as it engages China. A state can become part of regional political groupings that provide it with a degree of geopolitical leverage vis-à-vis China, even as it deepens economic ties with Beijing, or it can entice India (in partnership with others such as the United States and Japan) to play the role of a latent balancer to China by engaging more vigorously in economic and political affairs outside the subcontinent proper. Or states can work toward creating pan-Asian institutions that integrate all the continent's great powers and the United States to permit continued economic integration while simultaneously "enmeshing" or "binding" growing Chinese power in order to prevent it from being used coercively in the wider region.

The chapters in this volume suggest that all the Asian states use one or more of these approaches in their efforts to manage China. In so doing, these states confirm that they are responding to the same structural problem facing the United States: how to profit from China's growth without allowing its rising power to be used to their disadvantage. The difficulty of managing this conundrum also validates another reality: that, at least for now, China, not India, remains the central strategic focus of Asia. This does not imply that India is unimportant—the continued desire for Asian engagement with India suggests that the regional states only expect it to grow further in wealth, power, and influence—only that today it is derivative of the challenge faced by all other Asian nations in regard to managing China.

For some time to come, China's enormous economic vitality and mass (which already exert a global impact in multiple issue areas ranging from energy to the environment), its dramatic growth rates (which signal even greater distention in size and power than witnessed already), its central location on the Asian continent (which affects all land, littoral, and maritime powers equally), its trade-centered economic strategy (which inevitably knits the destinies of others with its own), its huge foreign exchange reserves (which drive both its acquisitive and its capital-exporting ability), its pivotal position as the axis of Asian economic integration (which increasingly makes all the major states in the continent dependent on China for their well-being), and its rapidly modernizing strategic and military capabilities (which will be progressively capable of mounting major threats to both regional states and any offshore balancers) all combine to make China the power of consequence in Asia and globally outside of the United States. All others, including major entities such as Russia, Japan, and India, play largely ancillary roles.

This reality is unnerving from a regional perspective because although the rise of China (and, secondarily, India) represents the most graphic example of the power shift from West to East in recent decades, Asia's growing economic power has not translated into either strategic equilibrium or geopolitical integration. This should not be surprising because, for all its achievements, "Asia" still remains fundamentally an artifact of geographical imagination. Hence, the gains of growth, which have materialized thus far mainly in littoral Asia (and neither uniformly nor proportionately even there), not only have failed to produce any significant Asian unity but, more problematically, may have exacerbated the fissures arising from the differential distribution of economic success.

Kenneth Pyle's special study in this volume, "International Order and the Rise of Asia: History and Theory," which describes how contending theories of international relations prognosticate different futures for Asia, provides still other reasons for concern. Pyle reminds the reader that the last time Chinese power was ascendant in Asia, order was produced through a hierarchic system wherein

> the Chinese emperor…[was]…acknowledged not only as the preeminent temporal power but also as a power of cosmic significance who mediated between heaven and earth. In contrast to the Westphalian concept in Europe of a number of independent nations recognized as theoretically equal with their own independent legitimacy and sovereignty, the Sinocentric concept was one of countries in East Asia subsumed within the Chinese sphere of civilized society. Rulers of the various countries within this sphere were expected to present themselves to the Chinese emperor and be invested with his authority, to receive a seal symbolizing the authority granted, to date all memorials according to the Chinese calendar, and to make regular visits to the Chinese imperial court to reaffirm their subordination. In return these rulers could receive trade benefits, legitimacy, and sometimes security.

While such a hierarchic system did provide a particular form of international order, the historical record demonstrates that this order was neither uniformly peaceful nor uniformly beneficial for the peripheral states—and sometimes not particularly advantageous for China either.[30] In any event, this kind of order could be sustained only in the premodern era before the rise of nationalism and expanding economic growth created the capable, self-regarding states that now exist on China's periphery. Because these countries fear, however, that growing Chinese power might entice Beijing into attempting to replicate some version of the old Sinocentric system in time to come, many other scholars have speculated that the future of Asia—resembling Europe's past—might be characterized by persistent rivalries and jockeying for advantage as a rising China that seeks recognition of its ascendancy is challenged by other competitors seeking to protect their own security, autonomy, and privileges.[31] Whether this prognosis will come to pass cannot be determined right now, but Pyle's survey of Asia's history

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[30] See the discussion in Michael D. Swaine and Ashley J. Tellis, *Interpreting China's Grand Strategy: Past, Present, and Future* (Santa Monica: RAND Corporation, 2000), 9–95.

[31] Aaron L. Friedberg, "Will Europe's Past Be Asia's Future?" *Survival* 42, no. 3 (Autumn 2000): 147–59; Aaron Friedberg, "The Future of U.S.-China Relations: Is Conflict Inevitable?" *International Security* 30, no. 2 (Fall 2005): 7–45; Robert Kagan, "Ambition and Anxiety: America's Competition with China," in Schmitt, *The Rise of China*, 1–24; and Swaine and Tellis, *Interpreting China's Grand Strategy*, 151–229.

in light of the competing intellectual traditions of international relations theory usefully sets the context within which all the other chapters of this book ought to be read.

In its totality, this volume of *Strategic Asia* explores in some detail how the key Asian states and specific subregions of Asia are responding to the rise of China and India across a range of issue areas that matter to their strategic interests. Toward that end, each country or regional chapter addresses how the rise of the two Asian giants affects the strategic interests of a given country or region in light of its own assessment about the future of U.S. power in Asia and globally. To tell this story at an appropriate level of detail, the individual studies examine the key forms of interaction between a state or region and China and India with regard to historical dealings, geopolitical and strategic relations, economic intercourse, cultural affinities or competition, military rivalries, and any other matters that may be pertinent.

The central objective in each case is to explicate how a particular state or region perceives the rise of China and India in the context of its current and prospective exchanges with each giant and against the backdrop of its relations with other key states. The chapters have also attempted to assess how the regional states are juggling considerations pertaining to the balance of power, economic interdependence, and other ideational and institutional factors in their approaches to China and India. When important internal differences about China or India can be identified in the country or region examined, they are flagged and evaluated to determine how these contending perspectives are adjudicated. In so doing, each chapter represents a balanced appraisal of the strategies that each of the relevant Asian powers (or regions) is pursuing toward China and India (and other states) in order to protect its core interests as well as the impact on the United States. A somewhat different approach is adopted by the two studies focusing on China and India themselves: here, the emphasis is on understanding how each Asian giant views the other's rise in the context of its own grand strategy, relations with the other Asian powers and with regional institutions (to the degree relevant), and ties with the United states.

M. Taylor Fravel's study of China's perceptions and relations with India is instructive for the complexity it conveys about contemporary Chinese foreign policy. Similar to the way it has handled relations with other major Asian states, Beijing has sought to minimize the chances of active conflict with India in order to avoid disrupting the peaceful regional environment necessary for its accumulation of comprehensive national power. Yet this effort at maintaining stability in the bilateral relationship with New Delhi has not come at the cost of Chinese compromise on the key irritants such as the status of the disputed territories, ongoing support for Pakistan, aid to the smaller South Asian states, modernization of military infrastructure in Tibet, and substantial ongoing nuclear targeting of India. Based on a broad survey of Chinese elite opinion, Fravel concludes that China views India's rise largely as a positive development because it conduces to a global multipolarity that helps limit the power of the United States while simultaneously offering opportunities for China to profit economically from expanded trade with the growing Indian economy.

Yet this optimistic conclusion is tinged by a significant degree of uncertainty for several reasons. First, Indian national security elites do not view China's perceptions of India in similarly benign terms, despite the growing trade between the two countries. Second, the evolving character of U.S.-Indian relations and India's relations with major Chinese rivals, such as Japan, may yet turn out to be constraining from Beijing's point of view (notwithstanding its current rhetoric on these issues, which has not been borne out in its diplomatic practice in any case). And, third, Chinese strategy toward India has always been far more subtle and hardnosed than its exoteric expressions—which generally convey a feigned indifference toward India coupled with the consistent denial that New Delhi is a potential rival—might suggest. Despite the danger that Sino-Indian competition might become malignantly antagonistic over time, Fravel's analysis provides a useful reminder that, at least for the moment, relations between the two remain a complex "mixed-sum" game.

Harsh Pant's chapter on Indian perceptions of China provides the counterpart to Fravel's analysis in this volume. In contrast to Fravel's depiction of China as at best welcoming of, and at worst ambivalent about, India's rise, Pant depicts Indian perceptions of China in more straightforward terms as a strategic challenge to be countered by a combination of external and internal balancing. This does not imply that Sino-Indian relations are plainly and simply confrontational. To the contrary, Pant describes the two sides' interactions as characterized by substantial convergence on issues of global order, including a desire for a multipolar international system, strategies on climate change that shift the burdens of combating the problem asymmetrically on to the developed world, trade regime innovations that promise disproportionately greater access for developing countries to developed countries' markets, and a robust global norm that upholds national sovereignty.

For all this convergence on world order issues, however, Pant sees New Delhi as viewing Beijing's intentions, strategies, and actions far more suspiciously in the one arena that actually matters for local stability: the bilateral relationship between the two states. Here, he describes a dangerous security dilemma developing because of the growing Indian conviction that the local military balances are tilting to its disadvantage, China's increasing penetration of India's previously secure oceanic frontier, and the emergence of new arenas of competition in the nuclear realm, in relations with near and extended neighbors, and even in regard to energy, trade, and investment. Pant's reading of these challenges suggests that a crucial driver of any prospective Sino-Indian competition will be India's fears of China. Being the weaker power in the dyad, India is likely to be far more concerned about China than is reciprocally true, but this inference must be excogitated carefully if the conventional mistake that India's lesser priority for China equates to Beijing's strategic neglect of New Delhi is to be avoided. Given the likely evolution of the Sino-Indian competition, Pant views the role of the United States as crucial, both as a protector of Indian security and as an Indian partner in preserving a favorable global balance of power.

Michael Green's chapter on Japan—the first of the country studies that examines how a major Asian power center relates to the rise of China and India—captures succinctly how Tokyo's response mimics in many ways the U.S. predicament vis-à-vis China. China's growth during the last few decades has provided Japan with numerous opportunities to expand bilateral trade and investment in the face of economic stagnation at home. The profitability of doing business in China, combined with the assumptions that Japan's technological superiority would permit it to maintain its economic lead indefinitely while being able to shape China's strategic direction, resulted in substantial Japanese investments in its larger neighbor. Yet growing Sino-Japanese trade and investment—China replaced the United States as Japan's biggest investment destination in 2007—has not mitigated the security competition between these two Asian contenders. In an echo of U.S.-China relations today, Green describes how "strategic rivalry now coexists with economic interdependence as the defining characteristic of Sino-Japanese relations."

This fraught situation has provoked a classic realist effort at external balancing. Although Indo-Japanese ties traditionally have been relatively thin, Japanese leaders have responded to China's growing assertiveness by revitalizing the alliance relationship with the United States and, more interestingly from the perspective of this volume, by attempting to renew ties with that other rising power, India. Green summarizes this shift by noting that "India offers Japan a security hedge against China (particularly given common Japanese and Indian interests in the maritime domain), an economic hedge against overdependence on the Chinese market, an alliance hedge against overdependence on the United States for security, and an ideational hedge with a fellow democratic state against the Beijing Consensus and criticism of Japan's past." While Japan, like the United States, thus seeks in India a fellow partner in preserving the continental balance of power, it too labors against the reality that its economic ties with China are, at least for now, far deeper than its economic ties with India. Thus, managing the new relationship with India, however promising, will prove to be as much a challenge for Japan as it is for the United States. As a solution to the larger problems of continental stability, Green observes that ties between New Delhi and Tokyo are still in a relatively nascent stage, but, more importantly, he concludes that preserving an appropriate Asian balance of power from Japan's perspective will require a thorough internal renewal just as much as effective external balancing.

Chung Min Lee's study of South Korea's response to the rise of China and India describes how a successful Asian middle power is attempting to navigate between complex gravitational forces represented by a deadly proximate threat, North Korea; three capable neighbors, China, Japan, and Russia (one clearly rising, the other currently stagnating, and the third potentially declining); a long-standing alliance with an external protector, the United States; and new rising, but more distant, powers such as India, Indonesia, and Vietnam, of which India could be the most important in both economic and strategic terms. In this complex environment, South Korea's search for security, prosperity, and autonomy takes it quickly to the United States as its most important security guarantor. But even as Seoul tries to renegotiate this long-standing alliance to accommodate its own maturation, there is little doubt that China looms large as the next most important regional actor both because of the opportunities Chinese growth offers South Korea in economic terms and because of Beijing's critical role in restraining North Korean adventurism—the one threat that could directly undermine Seoul's wealth and safety.

The significance of China to South Korea is only boosted by the large volume of bilateral trade—which shows no signs of slowing—even though, as Lee notes, "centuries of truncated autonomy shaped by Korea's place at the core of China's historical sphere of influence are never far from the surface." Preserving Korean independence in the face of deeply ingrained anxieties about China, while at the same time enjoying the benefits accruing from growing common interests, thus turns out to be a critical challenge. For the moment, however, this tension has been mitigated by the Korean conviction that China still does not have what it takes to become a genuine hegemonic power capable of denuding Seoul's sovereignty in any fundamental sense. Yet, to protect against just this contingency, South Korea has embarked on a policy of strategic diversification that, in Lee's telling, includes multiple components such as taking U.S.-Japan-South Korea trilateral security and defense coordination into new directions, exploring new political engagements throughout Pacific Asia, and even reaching as far south as India, despite the twin historical hurdles represented by "the tyranny of distance and mutual disinterest."

Consistent with this approach, Korean-Indian trade has increased significantly in recent years, though it still remains a small fraction of Sino-Korean trade. Although both New Delhi and Seoul share important interests—such as containing rising Chinese power, managing two linked but failing states with nuclear weapons on their peripheries, and ensuring maritime freedoms in the Indian and Pacific oceans—not to mention a "high degree of still largely untapped economic potential," Lee concludes that the bilateral relationship with India will, for understandable structural reasons, remain only "an important supplement to Seoul's foreign policy rather than a driving factor."

Rory Medcalf's chapter on the Australian response to the rise of China and India discusses similar themes and predicaments to those found in Lee's study of South Korea. Medcalf notes that the rise of China and India reflects a dramatic transformation of Australia's strategic landscape in that, for the first time in the postwar period, Canberra is confronted by a geographic milieu wherein its formal alliance partners, the United States and Japan, are no longer dominant in the way that they once were. Again, reflecting a theme that recurs throughout the volume, Australia finds itself in an increasingly close economic embrace of China—driven by Beijing's huge appetite for Australian raw materials and energy—but remains diffident about Beijing's strategic ambitions, China's potential for rivalry with the United States and India, and the prospect that Canberra might be confronted by unpalatable choices if it were forced to take sides in any future confrontation among these giants.

What complicates matters further—and in a different way from many other countries examined in this book—is that Australia's economic relations with India are also booming, even as its own trade with China continues to dominate. Medcalf notes that "India has become Australia's fourth-largest export market and one of its fastest-growing," thus making the search for an enhanced partnership with New Delhi a self-recommending proposition. But, as U.S. policymakers can readily attest, this quest can also be frustrating, despite the common values and interests otherwise shared with India. This challenge notwithstanding, Medcalf argues that Australia, just like the United States, will slowly, hesitatingly, yet inexorably, drift toward the following strategy to deal with the concurrent rise of China and India: Canberra will seek to protect the gains accruing from its strong economic partnership with Beijing and its growing ties with New Delhi, while simultaneously increasing its own military capabilities, energizing the security alliance with the United States, and deepening the strategic partnerships with its fellow Asian democracies—including India, especially in a trilateral context involving the United States—as the best insurance in case Chinese assertiveness were to become dangerous in the Indo-Pacific.

The Russian reaction to the emergence of China and India is fascinating because until not so long ago the former Soviet Union had an uncomfortably antagonistic relationship with Beijing and a close strategic partnership with New Delhi. As Dmitri Trenin's chapter details, Russia's relations with both countries are now in the midst of a profound transformation, embedded as they are in the as yet incomplete struggle between Russia's European and Asian identities, its important but fragile relationship with the United States, and its ongoing effort to integrate its far eastern provinces into the national mainstream. Against this backdrop, the recent rise of Chinese power has been nothing short of cataclysmic because it overturns the traditional power relationships existing between Moscow and Beijing for much of the modern era. While China's ascendency undoubtedly offers benefits to Russia—China remains a large market for Russian energy and raw materials; a significant, though less reliable, consumer of Russian arms; and a provider of space for Russian political maneuver because of Beijing's own rivalry with the United States—China also remains a serious long-term competitor that could end up coveting Russian territory, replacing Russia as a major arms exporter, and overwhelming it through sheer asymmetries in economic growth and technological modernization. For these reasons, Trenin concludes that "constructing an essential equilibrium in its relations with Beijing is Moscow's prime policy goal."

In contrast to the relationship with China, Russia's ties with India are comfortable enough to permit Moscow's "unreservedly welcoming India's rise." Thanks to strong past friendship and the benefits afforded by distance, Indo-Russian relations have been "not merely peaceful but virtually problem-free," as New Delhi is perceived by Moscow as a "friend for all times." But this favorable disposition is challenged, like many other bilateral partnerships with India, by "weak economic foundation[s] and [the] primitive infrastructure of Russo-Indian ties." The rise of the United States as India's newest strategic partner only complicates matters further, but the central challenge bedeviling Indo-Russian relations is their lack of depth. With the passing of the old, amicable intergovernmental ties, nothing has yet been found to replace them. Consequently, while India's growth does not threaten Russia in a way that China's could, New Delhi has yet to find new avenues through which it could aid Moscow as the latter redefines its own global role.

The three regional studies that conclude this volume capture the diversity of Asian responses to the rise of China and India, while still reflecting the theme running throughout the volume: the rise of the two Asian giants offers new economic opportunities for collective growth, but China's outward-looking economic strategy tends to have a more palpable impact on its neighbors, who, even while benefiting from its ascendancy, seek to diversify their engagement to include India as an additional source of growth, if not assurance. The three regions surveyed in this volume represent the spectrum of how this dynamic plays out: the Central Asian states remain increasingly integrated with China, much less so with India; the South Asian states are split down the middle, with Pakistan actively allying with China against India, while the smaller regional entities cautiously seek to benefit from India's rise; and the Southeast Asian region, though actively trading with China, looks just as insistently to India to play a complementary role that offsets Beijing's predominance.

S. Enders Wimbush's examination of Central Asia is grounded in the proposition that Central Asia, far from being a homogenous post-Soviet space, consists of multiple self-regarding entities that cooperate and compete among themselves in different ways. These states remain buffeted by many outsiders—not just China and India, but Russia, the United States, the Persian Gulf states, Turkey, and, to a lesser extent, Europe. Of these, China and Russia remain preeminent in influence, the former dominating their economic interests and the latter their politics. Wimbush sums up the situation elegantly by noting that most of the local powers

> see China as the emerging hegemon in the region. Russia, in contrast, remains a force to be mollified despite being eclipsed by China across most measures of power and influence. India remains in the distant background, a rumor of economic power and technological accomplishment. It is not in the same league as China or Russia, nor half so visible, but is potentially a future balancer of either or both.

Like in many other places, India remains in Central Asia largely as a potential force, while China is active in the here and now, dominating the region's energy resources and transportation infrastructure and shaping interstate relations through the Shanghai Cooperation Organisation. The Central Asian states have welcomed China's economic engagement and, though aware of the risks to their political interests, appear to have acquiesced to its regional predominance because of the benefits it brings and because both sides share common adversaries in the form of Islamist extremism. In this newest version of the Great Game, all the local states have actively sought India's interest and investment in the region, but lacking China's two great advantages—contiguous territory and deep pockets—New Delhi has ended up only a bit player in this critical quadrant of Asia despite enjoying old ties, cultural links, and personal relationships with key Central Asian leaders.

If Central Asia remains an arena where China continues to enjoy lopsided advantages over India, South Asia—New Delhi's own natural hinterland—displays a Janus-faced response to the growth of its largest constituent state. As Teresita Schaffer's chapter on the region conveys clearly, India's ascendency remains Pakistan's worst "strategic nightmare," thanks to the ongoing security competition between the two states, whereas the rise of China is viewed by Islamabad as "an opportunity to curb India's advancement and reduce dependence on the United States." In contrast to Pakistan, whose animosity toward India is unyielding, the other, smaller South Asian states have more relaxed attitudes toward India, though these stances have varied considerably depending on the political exigencies of the day.

In general, South Asia remains one of the most poorly integrated regions in the world for complex reasons having to do with geopolitics, national economic strategies, and historical legacies. The pressures for greater integration, however, are rising, but unlike China's trade-driven economic growth, which opens larger vistas for exchange across borders, India's domestic consumption-driven growth model has opened fewer opportunities. Increasingly, however, several smaller countries such as Afghanistan, Bangladesh, Nepal, and Sri Lanka see benefits to be gained from greater connectivity with India's growth, and all "accept India's primacy in their region," even if at times they do not welcome it. China's ascendency, in this context, lacks immediate impact. Although Beijing has become more active in South Asia in recent years—partly in response to the smaller states seeking increased autonomy vis-à-vis India—New Delhi's weight is sufficiently overwhelming that any overtures toward China can only occur with Indian acquiescence.

Of the three regions explored in the book, the last, Southeast Asia, is in many ways not only directly critical to U.S. economic and geopolitical interests but also most fascinating because it lies at the intersection of the old Sinic and Indian empires. The region also hosts the critical waterways through which raw materials, energy, and finished goods travel across the Indo-Pacific. Almost all the regional states today are deeply integrated into the East Asian economic system centered on China. As Carlyle Thayer's chapter describes in some detail, Southeast Asian states value the benefits that China's rise brings them in economic terms; yet because they are relatively small and weak compared to China, they are fearful of what growing Chinese power may mean for their security. In attempting to manage this challenge, these states have relied on a combination of instruments: the Association of Southeast Asian Nations (ASEAN) as a device for preserving their autonomy; larger pan-Asian institutions such as the ASEAN Regional Forum (ARF), Asia-Pacific Economic Cooperation (APEC), the ASEAN Free Trade Area (AFTA), and the East Asia Summit (EAS); the security guarantees and military presence of the United States; and, more recently, deepened engagement with extraregional powers such as Japan and India in an effort to simultaneously enmesh and balance rising Chinese power.

The Southeast Asian solution to the rise of China and India has thus centered on welcoming the ascendency of both powers, seeking to profit from greater economic integration with both, and soliciting their participation in larger regional institutions, while—with an anxious eye on China—encouraging "the United States to remain engaged in the region while viewing India as adding ballast—that is, geostrategic weight—to relations with China." By so doing, the Southeast Asian states seek to deter China from utilizing its growing strength for coercive purposes and, so long as Beijing refrains from behaving threateningly, hope to avoid being put in a position where they are "forced to choose between external powers." Unlike in the other two regions investigated in this volume, India's growing economic involvement in East Asia, its comparative advantages in sea power vis-à-vis China, its easy access to the region unconstrained by geography and aided by both geopolitics and history, and the assurance that derives from its increasingly closer relations with the United States make New Delhi a welcome and valued ally in the regional effort to develop a stable equilibrium vis-à-vis a rising China.

Conclusion

The current wave of globalization created and sustained by U.S. power in the postwar period has proved to be the most fecund of the three iterations witnessed thus far in the modern era. It has generated substantial increases in economic growth and human welfare, shifting in the process the center of gravity in the international system from West to East. The rise of China, followed by India, remains only the most recent manifestation of this fundamental power shift in global politics. Because the growth of these two new centers has had enormously beneficial effects for their own populations and for the international economy more generally, the United States has not merely supported China's and India's rise but welcomed it.

Yet there is no denying the fact that the deepening globalization that has nurtured the growing economic power of these two states has not eradicated the traditional security competition endemic to international politics but rather has transmogrified it in complex and challenging ways. Beijing's ascendency in particular—because China is the larger and the faster growing of the two Asian giants—has resurrected concerns throughout the Asian continent and in the United States about what China's rise implies for regional security. That China remains governed by an authoritarian regime, has a long history of superordination in East Asia, and nurtures a troublesome streak of nationalism domestically only accentuates these anxieties. While all Beijing's partners nonetheless seek to maximize the gains arising from China's growth and their own deep linkages with its expanding economy, they are looking simultaneously for alternative instruments that could limit their own vulnerability to the potential threats that could be posed by an ever stronger China.

Both the United States and India figure prominently in this connection—the former as the traditional hegemonic provider in Asia and globally, the latter as the new rising power that, although weaker than China today, not only possesses the potential of becoming a significant counterweight to Beijing in tandem with other important littoral states but also appears less threatening because of its democratic polity and its culture of strategic restraint. The United States and the other Asian powers, therefore, have sought to deepen their ties with New Delhi in recent years—all in the hope that creating sturdy links among the key nations on China's periphery will produce objective constraints that might limit Beijing's potential to abuse its growing power, even as all its partners continue to profit from its ongoing growth. Whether this solution is capable of generating simultaneously the requisite deterrence and reassurance that sustains stability in Asia remains to be seen. But until a better solution to the problems of preserving security under conditions of economic interdependence is devised, the regional interest in engaging India, while continuing to rely deeply on the United States, will persist.