



US economic and political clout expected to decline

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America's economic and political clout will decline over the next twenty years and the world will be more dangerous with concerns over food and water security, and the spread of advanced weapons.

Presenter: Sen Lam

Speaker: Dr Harry Harding, Professor of International Affairs at the George Washington University and Visiting Fellow of the US Studies Centre, University of Sydney

LAM: Professor Harding, what do you make of the forecasts, particularly the diminishing US influence? Do you think the current global financial crisis [might shift the US-China conversation](#) in some way?

PROFESSOR HARDING: In terms of NIC's - National Intelligence Council's - forecast, I'm always very leery of one way, one track, one outcome forecast. I think we have to think more probabilistically about what might happen. And in this case so much depends on how effectively the United States recovers from the financial crisis and the economic downturn, how effectively it rebuilds its soft power in terms of China. China faces many challenges and opportunities over the next decade and more, so I think it's premature to say that definitely we know that America is declining and the rest of the region is rising. There are a lot of uncertainties but it should alert the new administration to current trends.

LAM: Well America might not be declining but it certainly has to, as it seems, more and more certain that it has to deal with an emerging superpower.

PROFESSOR HARDING: That's correct.

LAM: Take China's military modernisation for instance, how will that affect US security considerations in the Pacific?

PROFESSOR HARDING: Well I think it certainly may especially if it continues and the Chinese continue to be relatively not transparent about their intentions and their long-term planning to build their capabilities. The worst case would be, of course, that the United States and others in the region feel it necessary to counter-balance China's military power with military build-ups of their own. To some degree the US has already begun to do that by planning to increase its deployments on the island of Guam. So we see the potential danger if we don't come to some kind of more of a cooperative security arrangement with the Chinese where we offer credible and meaningful reassurance about our intentions and capabilities.

LAM: You mentioned the low level of transparency in China's military, what is America doing about that? Is there some kind of perhaps lower level engagement with Beijing, to try and draw them out?

PROFESSOR HARDING: We've been trying to do that. We have - on the intention side - the so-called senior dialogue that's basically at the vice-foreign ministerial level. I think that's made some progress in talking about various issues. But in terms of capabilities, there, there has been a problem in having meaningful military to military dialogue. For one thing, the Chinese often link it to our relationship with Taiwan and so it's now suspended once again. It's the first thing the Chinese cut off if they're unhappy with the United States for something in the geo-strategic area. The arms sales package to Taiwan that was announced a month or so ago - even though it was less than some people might have expected, even though it's less than Senator McCain wanted, for example - the Chinese have retaliated and it means it's difficult to have this kind of discussion of transparency if the Chinese side is going to cut it off whenever there's some issue somewhere else in the relationship.

LAM: Well what about Taiwan? I mean, will that be less of a flash point now that the island's under a KMT administration, one that seems more palatable to Beijing?

PROFESSOR HARDING: Certainly one hopes so and in the short run it seems to be. But I do worry that this relationship could stall out because expectations are very high on both sides, perhaps especially on the Taiwan side where they were hoping that in exchange for liberalising their economic relationship with the mainland, the mainland might make some concessions on Taiwan's international space and perhaps some progress on military confidence-building. So far, those things have not happened to any meaningful degree. So in a democracy like Taiwan where the opposition is going to be eager to show that cross-strait policy is failing I do worry that there is a window of opportunity which may begin to close if the mainland is not making some concessions to Taiwan.

LAM: Harry Harding, what about the incoming Obama administration, would it be fair to say that China has traditionally viewed any Democrat administration with some level of suspicion?

PROFESSOR HARDING: That's probably true to a degree and so they may be nervous about Senator Obama. In addition, I think even more importantly, they like people they know and they worry about people they don't. They don't know him. They know Hillary Clinton so if indeed she does become his secretary of state which looks probable at this point that will be some relief to them. So yes, they prefer Republicans over Democrats, but they prefer people they know over people they don't.

LAM: And domestically, if I may move to China, Prime Minister Wen Jiabao yesterday unveiled an additional \$1 trillion by way of provincial projects. I think most of the money will be spent on road, rail, housing projects. Will that go some way towards addressing the rural-urban imbalance, do you think?

PROFESSOR HARDING: I think that the main purpose of all of this is of course a stimulus package to counteract the decline in China's export markets as a result of the worldwide recession to the extent that these are biased towards rural areas, and of course we had the big rural policy package adopted by the Central Committee earlier this year, it will have that secondary benefit as well. So they're probably going to try and kill many birds with the same stone here. Rural-urban domestically and a macro economic stimulus as well.

LAM: As you mentioned with the stimulus the Government's trying to encourage domestic spending but given that the Chinese have a long cultural tradition of saving, will that be an uphill battle?

PROFESSOR HARDING: I think it will and I think this is not simply irrational. This is what the economists call precautionary savings. In other words people are saving money because there is no government-provided or enterprise-provided social safety net or retirement or health insurance that has much credibility. So basically the Chinese Government is going to have to install those systems in place, have them be credible and affordable, if the Chinese people are going to be a little less thrifty and more consuming. And that's going to be expensive. This is not something that you do as a cyclical stimulus and kind of do it for two years and then say, "Now you're on your own again, sorry." This has to be part of a long-term social welfare programme and for a country of China's size that's going to be expensive.

SEN LAM: Harry Harding, unfortunately we'll have to leave it there. Thank you very much for your time this morning.

PROFESSOR HARRY HARDING: You're very welcome, my pleasure.

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