

UNDERSTANDING CHINA'S RISE UNDER XI JINPING

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Next week marks the 216th anniversary of the founding of the West Point Military Academy. Its founding came less than 20 years after the defeat of the British at Yorktown in 1781. It followed the decision by President Thomas Jefferson to establish the United States Military Academy just after his inauguration in 1801. Indeed the United States continental army first occupied this place on 27 January 1778, barely two years into the Revolutionary War, when things were not proceeding all that well against the British in that great conflagration. So you have been here at West Point since virtually the first birth-pangs of this great Republic.

Over the span of history, this nation has grown from thirteen fissiparous colonies to become the most powerful nation on earth. And while the challenges have been many, you have preserved the flame of liberal democracy throughout the nation's rise.

When this nation was being born, China was at its height. In 1799, the Qianlong Emperor died, having reigned for over 60 years. His grandfather, the Kangxi Emperor, had reigned for 61 years until 1722. Between both their reigns, the territorial expanse of the Chinese Empire virtually doubled, occupying some 10 per cent of the world's land area, 30 percent of the world's population, and 32 percent of the world's economy.

Although the United States sought to establish consular relations with China in 1784, this was rebuffed by Qianlong's court, delaying the establishment of diplomatic relations until 1844 with the Treat of Wangxia. By this stage, China had already suffered its first major defeat at the hands of the British during the First Opium War. The second defeat would follow less than 20 years later at the hands of the British and the French. And so began China's "Century of National Humiliation" until the birth of the People's Republic in 1949.

As for Australia, proudly an ally of the United States since we first fought together in the trenches in 1918, our short history, at least as a settler society, has been considerably more recent than either China or the US—although our indigenous

peoples, Aboriginal Australians, are the oldest continuing cultures on earth, going back 60,000 years. Because Washington's continental army prevailed at Yorktown in 1781, not only did Britain lose these colonies, it also lost its convict dumping ground at Savannah Georgia. Back in the British Admiralty, after the Treaty of Paris in 1783, they dusted off the navigation charts of James Cook taken some 13 years before, and in 1788 established a convict colony and the first European settlement in what we now call Sydney, Australia.

China, because of its proximity and size, has loomed large in the Australian national imagination ever since. Just as it now looms large in the global imagination. Not least because China's new leadership, under Xi Jinping, as of the very day he first came to power as General Secretary of the Chinese Communist Party five years ago, claimed that China's national mission was now one of "national renaissance" (guojia fuxing).

Xi Jinping, in rallying his party to a future vision for his country, looks deeply to China's history as a source of national inspiration. China's national pride at the historical achievements of the great dynasties of the Qing, Ming, Song, Tang, and the Han is palpable. The Chinese political leadership harness their national past selectively, always carefully using rose-coloured glasses, omitting those chapters which may be more problematic for China's current national narrative. But then again, China's leaders are no more guilty of this than other countries.

Nonetheless, for those who are professionally charged with interpreting China's future, as you are in this great military academy, it means that we must also take time to understand China's past. To understand how China perceives the world around it. And to understand how it now perceives its own national destiny in the turbulent world of the 21st century.

It is one of the reasons why after more than 40 years of studying Chinese language, history, politics, economics, and culture, I have embarked on a fresh research project at Oxford University, seeking to define Xi Jinping's worldview. This is not a static process. This is a dynamic process. China is as much deeply marked by its past, as it is being reshaped by the unprecedented torrent of economic, social, cultural, and technological forces that are washing over its future.

Over the last 40 years I have engaged China as a student, bureaucrat, diplomat, member of parliament, foreign minister, and prime minister. And now as the President of an American think tank, part of a venerable institution, the Asia Society, which has been engaging China since the earliest days of the People's Republic in 1956. Understanding China is a lifelong journey.

For those of you who would become the next generation of American military leaders, it must be your lifelong journey as well. I argue that there will be no more important part of your professional skill-craft than to understand how Chinese leaders think, how they perceive the world, and how the world should most productively engage them. That applies also to your country's future political leadership, corporate leadership, and every branch of its military. So I encourage you in your mission.

DEFINING XI JINPING'S CHINA

Xi's Political Authority

The beginning of wisdom in understanding China's view of the world is to understand China's view of the future of its own country—its politics, its economics, its society. Xi Jinping lies at the apex of the Chinese political system. But his influence now permeates every level. Five years ago, I wrote that Xi would be China's most powerful leader since Deng. I was wrong. He's now China's most powerful leader since Mao. We see this at multiple levels. The anti-corruption campaign he's wielded across the Party has not only helped him "clean up" the country's almost industrial levels of corruption. It has also afforded the additional benefit of "cleaning up" all of Xi Jinping's political opponents on the way through. It's a formidable list:

- Bo Xilai, Politburo member and Party Secretary of Chongqing;
- Zhou Yongkang, Politburo Standing Committee member and head of the internal security apparatus;
- Xu Caihou, Vice Chairman of the Central Military Commission;
- Guo Boxiong, Vice Chairman of the Central Military Commission;
- Ling Jihua, former Chief of the General Office of the CPC and Chief of Staff to Hu Jintao;
- Sun Zhengcai, Politburo member and another Party Secretary from Chongqing;
- And just prior to the 19th Party Congress, General Fang Fenghui, Chief of the Joint Staffs, and General Zhang Yang, Director of the PLA Political Work Department, who recently committed suicide.

None of this is for the faint-hearted. It says much about the inherent nature of a Chinese political system which has rarely managed leadership transitions smoothly. But it also points to the political skill-craft of Xi Jinping himself.

Xi Jinping is no political neophyte. He has grown up in Chinese party politics as conducted at the highest levels. Through his father, Xi Zhongxun, he has been on both the winning side and the losing side of the many bloody battles that have been fought within the Chinese Communist Party since the days of the Cultural Revolution half a century ago.

There is little that Xi Jinping hasn't seen with his own eyes on the deepest internal workings of the Party. He has been through a "masterclass" of not only how to survive it, but also on how to prevail within it. For these reasons, he has proven himself to be the most formidable politician of his age. He has succeeded in pre-empting, outflanking, outmanoeuvring, and then removing each of his political adversaries. The polite term for this is power consolidation. In that, he has certainly succeeded.

The external manifestations of this are seen in the decision, now endorsed by the 19th Party Congress and the 13th National People's Congress, to formally enshrine "Xi Jinping Thought" as part of the Chinese constitution. For Xi Jinping's predecessors, Deng, Jiang and Hu, this privilege was only accorded them after they had formally left the political stage. In Xi Jinping's case, it occurs near the beginning of what is likely to be a long political career.

A further manifestation of Xi Jinping's extraordinary political power has been the concentration of the policy machinery of the Chinese Communist Party. Xi now chairs six top-level "leading small groups" as well as a number of central committees and commissions covering every major area of policy.

A third expression of Xi's power has been the selection of candidates for the seven-man Standing Committee of the Politburo, the 20-person wider Politburo, and the 209-member Central Committee. There's been some debate among China analysts as to the degree to which these ranks are now filled with Xi loyalists. My argument is simple: it is a much more accommodating and comfortable set of appointments from Xi Jinping's personal perspective than what he inherited from the 18th Party Congress.

Furthermore, his ability to prevail on critical personnel selection is underlined by the impending appointment of his close friend and colleague Wang Qishan as Chinese Vice President. Wang Qishan himself has passed the retirement age, but this has proven to be no obstacle to retaining him as an ex-officio member of the politburo standing committee, as reflected in the footage carried yesterday by the Chinese media of the opening sessions of the National People's Congress. And it is Wang Qishan who will be entrusted by Xi with working-level responsibility for the vast complexity that is now the US-China relationship.

A fifth manifestation of Xi Jinping's accumulation of unchallenged personal power has been the decision to remove the provision of the 1982 Chinese State Constitution, which imposed a limit of two five-year terms on those appointed to the Chinese presidency. Xi Jinping is now 64 years old. He will be 69 by the expiration of his second term as President, General Secretary of the Party, and Chairman of the Central Military Commission. Given his own family's longevity (his father lived to 88, and his mother is still alive at 91), as well as the general longevity of China's most senior political leaders, it is prudent for us to assume that Xi Jinping, in one form or another, will remain China's paramount leader through the 2020's and into the following decade.

He therefore begins to loom large as a dominant figure not just in Chinese history, but in world history, in the twenty-first century. It will be on his watch that China finally becomes the largest economy in the world, or is at least returned to that status, which it last held during the Qing dynasty.

Finally, there is the personality of Xi Jinping himself as a source of political authority. For those who have met him and had conversations with him, he has a strong intellect, a deep sense of his country's and the world's history, and a deeply defined worldview of where he wants to lead his country. Xi Jinping is no accidental president. It's as if he has been planning for this all his life.

It has been a lifetime's accumulation of the intellectual software, combined with the political hardware of raw politics, which form the essential qualities of high political

leadership in countries such as China. For the rest of the world, Xi Jinping represents a formidable partner, competitor or adversary, depending on the paths that are chosen in the future.

There are those within the Chinese political system who have opposed this large-scale accumulation of personal power in the hands of Xi Jinping alone, mindful of the lessons from Mao. In particular, the decision to alter the term-limits concerning the Chinese presidency has been of great symbolic significance within the Chinese domestic debate. State censorship was immediately applied to any discussion of the subject across China's often unruly social media. The People's Daily, in a surprisingly defensive editorial last week, was at pains to point out that the changes to term limits for the Chinese presidency simply brought China's state constitution into line with the Party constitution, which imposed no term limits on the positions of General Secretary and Chairman of the Central Military Commission. Even more defensively, the People's Daily was at equal pains to point out that these constitutional changes did not signify "leadership for life".

For Xi's continuing opponents within the system, what we might describe as "a silent minority", this has created a central, symbolic target for any resentments they may hold against Xi Jinping's leadership. It would be deeply analytically flawed to conclude that these individuals have any real prospect of pushing back against the Xi Jinping political juggernaut in the foreseeable future. But what these constitutional changes have done is to make Xi potentially vulnerable to any single, large-scale adverse event in the future. If you have become, in effect, "Chairman of Everything", then it is easy for your political opponents to hold you responsible for anything and everything that could go wrong, whether you happen to be responsible for it or not.

This could include any profound miscalculation, or unintended consequence, arising from contingencies on the Korean Peninsula, Taiwan, the South China Sea, the Chinese debt crisis, or large-scale social disruption arising from unmanageable air pollution or a collapse in employment through a loss of competitiveness, large-scale automation or artificial intelligence.

However, militating against any of the above, and the "tipping points" which each could represent, is Xi Jinping's seemingly absolute command of the security and intelligence apparatus of the Chinese Communist Party and the state. Xi Jinping loyalists have been placed in command of all sensitive positions across the security establishment. The People's Armed Police have now been placed firmly under party control rather than under the control of the state. And then there is the new technological sophistication of the domestic security apparatus right across the country—an apparatus which now employs more people than the PLA.

We should never forget that the Chinese Communist Party is a revolutionary party which makes no bones about the fact that it obtained power through the barrel of a gun, and will sustain power through the barrel of a gun if necessary. We should not have any dewy-eyed sentimentality about any of this. It's a simple fact that this is what the Chinese system is like.

Xi Jinping's View of the Party

Apart from the sheer construction of personal power within the Chinese political system, how does Xi Jinping see the future evolution of China's political structure? Here again, we've reached something of a tipping point in the evolution of Chinese politics since the return of Deng Xiaoping at the 3rd Plenum of the 11th Central Committee in November 1978.

There has been a tacit assumption, at least across much of the collective West over the last 40 years, that China, step-by-step, was embracing the global liberal capitalist project. Certainly, there was a view that Deng Xiaoping's program of "reform and opening" would liberalise the Chinese economy with a greater role for market principles and a lesser role for the Chinese state in the economy.

A parallel assumption has been that over time, this would produce liberal democratic forces across the country which would gradually reduce the authoritarian powers of the Chinese Communist Party, create a greater plurality of political voices within the country, and in time involve something not dissimilar to a Singaporean-style "guided democracy", albeit it on a grand scale. Despite the global wake-up call that was Tiananmen in 1989, by and large this continued to be the underlying view across the West, always misguided in my view, that China, through many twists and turns, was still broadly on track to create a more liberal political system, if not to create any form of classical Western liberal democracy.

Many scholars failed to pay attention to the internal debates within the Party in the late 1990s, where internal consideration was indeed given to the long-term transformation of the Communist Party into a Western-style social democratic party as part of a more pluralist political system. The Chinese were mindful of what happened with the collapse of the Soviet Union. They also saw the political transformations that unfolded across Eastern and Central Europe. Study groups were commissioned. Intense discussions held. They even included certain trusted foreigners at the time. I remember participating in some of them myself. Just as I remember my Chinese colleagues telling me in 2001-2 that China had concluded this debate, there would be no systemic change, and China would continue to be a one-party state. It would certainly be a less authoritarian state than the sort of totalitarianism we had seen during the rule of Mao Zedong. But the revolutionary party would remain.

The reasons were simple. The Party's own institutional interests are in its long-term survival: after all, they had won the revolution, so in their own Leninist worldview, why on earth should they voluntarily yield power to others? But there was a second view as well. They also believed that China could never become a global great power in the absence of the Party's strong central leadership. And that in the absence of such leadership, China would simply dissipate into the divided bickering camps that had often plagued the country throughout its history. The Communist Party would continue, therefore, as an unapologetically Leninist party for the future.

To be fair to Xi Jinping, it should be noted for the historical record that these internal debates were concluded a decade before Xi's rise to power. The rise of Xi Jinping should not be interpreted simplistically as the sudden triumph of authoritarianism over

democracy for the future of China's domestic political system. That debate was already over. Rather it should be seen as a definition of the particular form of authoritarianism that China's new leadership now seeks to entrench.

I see this emerging political system as having three defining characteristics. First, the unapologetic assertion of the power, prestige and prerogatives of the Party apparatus over the administrative machinery of the state. In previous decades, the role of the Party apparatus had shrunk to a more narrowly defined, ideological role. The powers of detailed policy decision-making had gradually migrated to the institutions of the state council. This indeed had been a signature reform under Premier Zhu Rongji.

That is no longer the case. Xi Jinping has realised that if you remove the Party as an institution from continued structural relevance to the country's real policy decision-making process, the party over time would literally fade away. As a person who believes deeply not just in the Party's history, but also the Party's future, Xi has not been prepared to stand idly by while that happened. Xi has now intervened decisively to reverse this trend.

A second defining feature of this "new authoritarian" period is the role of political ideology over pragmatic policy. For the previous forty years, we've been told that China's governing ideology was "Socialism with Chinese Characteristics". As the decades rolled by, at least in the economy, there was much less "socialism" than there were "Chinese characteristics". In this sense, "Chinese characteristics" became the accepted domestic political euphemism for good old capitalism.

Few people seemed to have understood that a core part of Xi Jinping's intellectual make-up is that he is a Marxist dialectician. This derives from the Hegelian principles of "thesis, antithesis and synthesis". Or in Chinese Maoist terms: "Contradictions among the people". This forms a deep part of Xi Jinping's intellectual software. Indeed the importance which Xi attaches to this as an intellectual methodology led him to conduct two formal Politburo study sessions on both "historical materialism" and "dialectical materialism" in 2013 and 2015 respectively. As a dialectician, Xi Jinping is acutely conscious of the new social, economic and political forces being created by China's "neo-liberal" economic transformation. He would also understand intuitively the challenges which these new forces would, over time, represent to the Party's continuing Leninist hold on power.

Both he and the rest of the central leadership have read development economics. They are not deaf and dumb. They know what the international literature says: that demands for political liberalisation almost universally arise once per capita income passes a certain threshold. They are therefore deeply aware of the profound "contradiction" which exists between China's national development priority of escaping the "middle income trap" on the one hand, and unleashing parallel demands for political liberalisation once incomes continue to rise on the other.

Xi Jinping's response to this dilemma has been a reassertion of ideology. This has meant a reassertion of Marxist-Leninist ideology. And a new prominence accorded to ideological education across the entire Chinese system. But it's more sophisticated than a simple unidimensional ideological response. At least since the 2008 Olympics, which pre-dated Xi's ascendancy, Chinese nationalism has also become a parallel

mainstay in China's broader ideological formation. This has continued and expanded under Xi Jinping. And it has been augmented by an infinitely more sophisticated propaganda apparatus across the country, which now fuses the imagery of the Chinese Communist Party and the Chinese nation into a combined Chinese contemporary political consciousness.

On top of this, we've also seen a rehabilitation of Chinese Confucianism as part of the restoration of Chinese historical narratives about, and the continuing resonance of, China's "unique" national political forms. According to the official line, this historical, authoritarian, hierarchical continuity is what has differentiated China from the rest of the world. This Chinese "neo-Confucianism" is regarded by the party as a comfortable historical accompaniment to the current imperatives for a strong, modern Chinese state, necessary to manage the complex processes of the "Great Chinese Renaissance" of the future.

The short-hand form of the political narrative is simple: China's historical greatness, across its dynastic histories, lay in a strong, authoritarian hierarchical Confucian state. By corollary, China's historical greatness has never been a product of Western liberal democracy. By further corollary, China's future national greatness will lie not in any adaptation of Western political forms, but instead through the modern adaptation of its own indigenous political legacy in the form of a Confucian, communist state.

Xi Jinping's View of the Economy

A third characteristic of China's "new authoritarianism", although less clear than the first and second, is what is now emerging in the future direction of China's economic program. We are all familiar with Deng Xiaoping's famous axiom that "it doesn't matter whether a cat is white or black, so long as it catches mice". Just as we are familiar with his other exhortation, "it is indeed glorious to be rich". These were followed by later exhortations by China's apparatchik class to leave government service (xiahai) and go out into the world (zouchuqu). These simple axioms, as opposed to complex statements of ideology, provided the underlying guidance for the subsequent two generations of Chinese entrepreneurs, both at home and abroad.

In policy terms, China's first phase of economic reform (1978-2012) was characterised by small-scale, local family enterprises, involved in light industry; low-wage, labour-intensive manufacturing for export; combined with high-level state investment in public infrastructure, including telecommunications, broadband, road, rail, port, power generation, transmission and distribution.

In early 2013, at the 3rd plenum of the 18th Central Committee, Xi Jinping released a new blueprint for the second phase of China's economic reform program, or what was ominously called "The Decision", or more elegantly China's "New Economic Model". Its defining characteristics were a new emphasis on the domestic consumption market rather than exports as the principal driver of future economic growth; the explosion of China's private sector at the expense of the overall market share of China's state owned enterprises, which were to be constrained to certain, critical strategic industry

sectors; the flourishing of the services sector, particularly through the agency of digital commerce; “leapfrogging” the West in critical new technology sectors, including biotechnology, and artificial intelligence; and all within the new framework of environmentally sustainable development, particularly air pollution and climate change.

It’s important to track over the last five years what progress and regress has occurred across the 60 specific reform measures articulated in the decision of March 2013. The core organising principle across the reform program was that “the market would play the decisive role” across China’s economic system. The Asia Society Policy Institute, of which I am President, in collaboration with the Rhodium Group, has been producing over the last six months the “China Economic Dashboard”, which looks in detail at the ten core barometers of economic change. What we have concluded is that China has made progress in two of these. First, in innovation policy, where China has made measurable strides, both in policy direction but more critically, in defiance of the usual skepticism about China’s capacity to innovate, in actual economic performance.

Second, we also measured progress in Chinese environmental reforms, in particular the reduction in the PMI measures of air pollution across China’s major cities over the last two years. However, in five of ten areas, we’ve seen China at best marking time: investment, trade, finance, SOE and land reform. And finally, in fiscal policy, competition policy and labour reform, we see evidence of China sliding backwards against the reform direction it set for itself five years ago. Each of these are the subject of considerable debate across the Chinese economic analytical community, particularly given the perennial problems we all face with data. Nonetheless, only the bravest official commentators in China could now point to 2013-18 as a path-breaking period of economic reform. It has at best been slow.

This brings into sharp relief the content of the government work report on the economy delivered at the National People’s Congress in Beijing in March 2018. Once again, precisely five years down the track from the original documents, the analytical community will pore over the entrails to analyse whether the spirit of market-based reforms continues to flourish for the future. Or whether it has begun to fade amidst a more general Chinese political and ideological redirection to the left. Or just as problematically, for economic reform to die at the implementation level because of confusing political and policy signals from the centre, meaning that it is much safer to just keep your head down. Or because there are limited local incentives, either personal or institutional, to actively prosecute reform which inevitably generates local conflict with deeply entrenched vested interests. Or, more likely, an unholy cocktail of the above, collectively reinforcing a natural predisposition towards bureaucratic inertia.

Certainly those at the centre of China’s economic reform team, including Wang Qishan, Liu He and Wang Yang, understand the absolute imperatives of implementing this next round of economic reform. They know from bitter experience that to stand still is in fact to go backwards. And they understand in particular that the only source of employment growth in China’s economy over the last five years has come from the private sector, not SOEs, as China each year is required to absorb 20 million new workers into its labour force.

Nonetheless, there have been worrying signs. First, the role of Party secretaries within private firms now seems to have been enhanced. Second, there is now an open debate in China as to whether the state should acquire equity within China's most successful private firms in order to secure broad representation and greater political influence over these companies' future direction. And third, in the wake of the anti-corruption campaign and other compliance irregularities, we now see a number of prominent Chinese private firms in real political difficulty, and in one case, Anbang, the temporary "assumption of state control" of the company's assets after its Chairman and CEO was taken into custody.

Compounding all of the above is still a continuing lack of truly independent commercial courts and arbitration mechanisms. The complication this creates is whether this leads over time to a private capital strike, or a flight of private capital of the type we have seen over the last several years, resulting in a re-imposition of formal capital controls by the state.

So on the future direction of China's economy, the jury is still out. Have we also reached a new "tipping point", as we appear to have done in Chinese politics? Or will this be a more sophisticated Chinese play, consistent with one of the deeper aphorisms of Chinese politics, that "in order to go right on the economy, you must go left on politics" in order to sustain to internal "balance" of the system? The next 12 months with China's new economic team will be critical.

CHINA'S "WORLDVIEW" UNDER XI JINPING

Seven Core Priorities

There is always a danger facing foreign policy and security policy specialists when they seek to understand and define the capabilities, strategy and worldview of other states. There is always a temptation, given the analytical disciplines we represent, to see these "external" manifestations of state behaviour in the international realm as independent phenomena. The reality is that any country's worldview is as much the product of its domestic politics, economics, culture and historiography, as it is the product of the number of guns, tanks and bullets held by ourselves, and by those around us.

That's why I've sought to emphasise in this presentation so far the domestic drivers that underpin China's emerging worldview. It's important to bear in mind that those who ultimately shape Chinese strategy, like American strategy, are those who are equally engaged in the domestic affairs of their nations. There is no longer a clinical distinction between the foreign and domestic, the international and the national. Therefore understanding the domestic imperatives of China's leadership is the beginning of wisdom in understanding the emerging patterns of China's foreign and security policy behaviour.

The Party

China's emerging worldview, in my own estimation, is best understood as a set of seven concentric circles. The first concentric circle is the Chinese Communist Party itself and its overriding interest to remain in power. This Leninist reality should never be forgotten. It is radically different from the worldview of Western political parties, who while always determined to remain in electoral power while they possibly can, also understand there is a natural ebb and flow in our national political discourse, intermediated by the electoral process.

National Unity

The second concentric circle, in terms of the core interests of the Chinese leadership, is the unity of the motherland. This may seem a hackneyed phrase in the West. But it remains of vital concern in Beijing, both as a question of national security on the one hand, and a question of enduring political legitimacy on the other. From Beijing's perspective, Tibet, Xinjiang, Inner Mongolia and Taiwan represent a core set of security interests. Each within itself represents a confluence of external and internal security factors. Tibet is a central factor in Chinese perceptions of its strategic relationship with India. Xinjiang represents China's gateway to what it perceives to be an increasingly hostile Islamic world, reinforced by concerns about its own, home-grown Islamic separatist movement. Inner Mongolia, despite the resolution of the common border with Russia decades ago, represents a continuing source of strategic anxiety between China and Russia. Taiwan, long seen as an American aircraft carrier in the Pacific, represents in the Chinese strategic mind a grand blocking device against China's national aspirations for a more controlled, and therefore more secure maritime frontier, as well as an impediment to the ultimate political holy grail of national reunification. These "internal" security challenges will always remain China's core security challenges, apart, of course, from the security of the Party itself.

The Economy and Environmental Sustainability

The third in this series of concentric circles is the economy, together with its strategic counterfoil, environmental sustainability. I've already referred at some length to the current dilemmas in Chinese economic policy. Parallel dilemmas also confront the leadership over the litany of stories which permeate its own media on water, land and air pollution, and the inadequacy of food quality standards. The tragedy of China's rapid economic development over the first 35 years was the relegation of the environment. Indeed, the systematic treatment of the environment as simply an "economic externality" to the Chinese development process led to wholesale environmental destruction. China is now paying the price.

Of course, these are not just domestic concerns for the Chinese people themselves. The quantum of China's greenhouse gas emissions is of fundamental relevance to the future of global climate security and therefore of the planet itself. Indeed, if China fails to deliver on its future commitments on GHG reductions, as America and my own country Australia are now failing to do, by the time you students of the academy are taking your grandchildren to school during the last quarter of this century, the climate will represent the single greatest security threat to us all. But within the framework of

China's current and emerging worldview, both a strong economy and clean environment represent core determinants of the Party's future political legitimacy.

These existential questions, therefore, of clean water, useable land, uncontaminated fish stocks, clean air to breathe as well as continued jobs growth, increased living standards, and all within the constraints of an ageing population, represent the daunting, day-to-day challenges of China's Communist Party leadership.

China's Neighbouring States - Securing China's Continental Periphery across Eurasia

The fourth in this widening series concentric circles relates to China's fourteen neighbouring states. Neighbouring states occupy a particular place in China's strategic memory. Historically, they've been the avenue through which China's national security has been threatened, resulting in successive foreign invasions. From the Mongols in the North in the 12th century, to the Manchurians in the North East in the mid-17th century, to the British, French, the Western imperial powers including the United States, and then the absolute brutality of the Japanese occupation from the East.

In Chinese traditional strategic thought, this has entrenched a deeply defensive view of how to maintain China's national security. But Chinese historiography also teaches that purely defensive measures have not always succeeded. The failure of the Great Wall of China to provide security from foreign invasion is a classic case in point.

For these reasons, modern Chinese strategic thinking has explored different approaches. First and foremost, through political and economic diplomacy, China wishes to secure positive, accommodating, and wherever possible compliant relationships with all its neighbouring states.

But beyond that, China is also in search of its own form of strategic depth. We see this in China's political, economic and military diplomacy across its vast continental flank from Northeast, through Central to Southeast Asia. We see this thinking alive in the Shanghai Cooperation Organisation. We see it alive in the Conference on International Confidence Building in Asia (CICA). We see it also with the Continental Silk Road, and the Maritime Silk Road initiative which charts its course across the Indian Ocean to the Red Sea and now the Mediterranean. And beyond that we see the Belt and Road Initiative, or BRI. The strategic imperative is clear: to consolidate China's relationships with its neighbouring states. And by and large, this means enhancing its strategic position across the Eurasian continent, thereby consolidating China's continental periphery.

China's Maritime Periphery - East Asia and the West Pacific

The fifth concentric circle, or arguably its co-equal fourth, lies on China's maritime periphery, across East Asia and the West Pacific. Unlike its continental periphery, China sees its maritime periphery as deeply hostile. It sees its traditional territorial claims in the East and South China Seas as under threat, and now routinely refers to these as China's "core national interests", placing them in a similar category to Taiwan. China also sees the region as strategically allied against it—with a ring of US allies from South Korea to Japan to Taiwan to the Philippines and onto Australia. Beyond this ring

of US allies, the Chinese are fundamentally fixated on the formidable array of US military assets deployed by US Pacific Command across the entire region.

China's strategy in response to this is clear. It seeks to fracture US alliances and has said as much repeatedly in its declaratory statements. Its position is that these alliances are relics of the Cold War. China's deepest strategic concern about the peaceful reunification of North Korea lies in potentially having a unified Korean Peninsula, as a US ally, positioned on its immediate land border. China's deeper response to its strategic circumstances is to enhance the capability of its navy and air force. Under Xi Jinping, the change in China's military organisation, doctrine and force structure has been profound. The army continues to shrink. The navy and air force continue to expand.

Chinese naval and air capabilities now extend to reclaimed islands in the South China Sea. China's naval and air expansion has also been enhanced by the rapid development of its land-based missile force targeted at both Taiwan and wider US naval operations in the Western Pacific. The strategic rationale is clear: a strategy of air-sea denial against US forces seeking to sustain large-scale US military operations in support of Taiwan, its partners in the South China Sea, and ultimately in the East China Sea as well. China's overall political-military strategy is clear: to cause sufficient doubt in the minds of PACOM, and therefore any future US administration as to the "winnability" of any armed conflict against Chinese forces within the first island chain. And that includes American doubts over its ability to defend Taiwan.

The softer edge of China's strategy in East Asia and the Western Pacific is economic engagement through trade, investment, capital flows and development aid. China's strategy in this region, as in elsewhere in the world, is to turn itself into the indispensable economic power. In many countries and regions in the world, it has made great progress on this score. This, in many respects, is a simple projection of the scale of the Chinese economy as economic growth continues and China remains on track to pass the United States as the world's largest economy over the course of the next decade.

The bottom line is this: in both reality and in perception, China has already become a more important economic partner than the United States to practically every country in wider East Asia. We all know where the wider strategic logic takes us. From economic power proceeds political power; from political power proceeds foreign policy power; and from foreign policy power proceeds strategic power. That is China's strategy.

China and the Developing World

The sixth in my attempted visual image of China's order of strategic priorities is China's particular relationship with the developing world. This has long historical roots going back to Mao and Zhou Enlai's role in the non-aligned movement. It applies particularly in Africa. But we also see it in countries like Pakistan, Sri Lanka and Bangladesh. China's relationship with the developing world has long been seen as a pillar in the prosecution of its global interests and values. In the current period this has continued with large-scale public and private Chinese trade and investment across Africa, Asia and Latin America.

Across Africa, China has laid out large slabs of the continent's emerging infrastructure. Each of these projects is generating its own local controversies. But the remarkable thing about China's strategy is its persistence and its ability to adapt and adjust over time. Multiple field studies have now been conducted by Western academics on Chinese investment projects in the developing world. Some have not been good. But what is remarkable is how many positive stories are also emerging, on balance. So when China looks for local voices to support its interests, either in the United Nations or across the labyrinth of the global multilateral system, its ability to pull in political and diplomat support is unprecedented.

China and the Global Rules-based Order

The seventh and final concentric circle concerns the future of the global rules-based order itself. The United States, combined with its allies, as the victors of the Second World War, constructed the underlying architecture of the post-war, liberal international rules-based order. We saw this at Bretton Woods in 1944, the emergence of the IMF, the World Bank and the General Agreement on Tariffs and Trade, later the WTO. We saw it in 1945 with the UN Charter. We saw it in 1948 with the Universal Declaration of Human Rights.

The United States also sought to defend the order it had created with a global network of alliances: NATO in Europe, and bilateral security alliances across East Asia. Across all this, even during the Cold War, the United States remained the dominant superpower. Dominant politically, economically, and militarily. Now we find ourselves in a period of great change and challenge.

Our Western political systems are under challenge in terms of their own domestic legitimacy. China will soon replace the United States as the world's largest economy. China will begin to challenge US regional but not global military dominance. China is also creating its own new multilateral institutions outside the UN framework, such as the AIIB. China also continues to expand its strategic and economic reach across Europe and Asia. And Xi Jinping has made plain he does not see China's role as simply replicating the current US-led liberal international order for the future.

China has consistently said that this was an order created by the Western, victorious, and by-and-large colonial powers after the Second World War. But China leaves open what future changes it may make to the international rules-based system in the future. The desirability of having a form of rules-based system, rather than simple chaos, lies deep within Chinese political consciousness. Chaos is utterly alien to China's preferred political approach. But it is important to remember that "order", the alternative to "chaos", will not necessarily be an American order, or for that matter a liberal international order of America's making, where Chinese co-leadership of that order may now be expected or desired.

China's expectation of the future of the order will be one which is more suited to China's own national interests and values. This means China will want to change things. At this stage, it is not clear how much China wants to change things. And whether the rest of the international community will agree. This will have implications, for example, for the current international order on human rights, anchored in the three current international treaties and the human rights council in Geneva. It will also have

implications for the future international economic order, including the WTO, particularly in the aftermath of any unfolding trade war with the United States. As for the future international security order, we now find ourselves in completely uncertain terrain for reasons increasingly shaped by the future contours of both American and Chinese domestic politics.

There is much public debate about Thucydides' Trap on the probability of conflict between China and the United States. Just as there is now debate about the Kindleberger Trap, drawn from the experience of the 1920s and 1930's, when we saw the emergence of strategic vacuum through the global retrenchment of the United Kingdom and an unwillingness of the United States to fill that vacuum in the provision of global public goods. The result was global anarchy of a different sort. My deepest belief is that we must avoid both these traps. Our deepest wisdom must be harnessed in defining another path.

CONCLUSION

There are many reasons to study China. It is an extraordinary civilisation in its own right. It contains deep wisdom, generated over more than 4000 years of recorded history. China's aesthetic tradition is also rich beyond all measure. It is easy to become lost in the world of Sinology. But the rise of China demands of us all a New Sinology for the 21st century.

One which is familiar with the Chinese tradition. One which is clear in its analysis of contemporary Chinese politics, economics, society and China's unfolding role in the region and the world. As well as a New Sinology which is capable of synthesising the above.

We will need a generation of leaders who understand this integrated Chinese reality, in order to make sense of and engage with the China of the future. With our eyes wide open. And with our minds wide open as well. Open to new challenges. Open to new threats. Open to new possibilities. Open to new areas of cooperation and collaboration.

And above all, open to finding creative paths about how we preserve peace, preserve stability, avoid conflict and the scourge of war between these two great nations, while preserving the universal values, anchored in our international covenants, for which we all still stand.