Asia’s Fault Lines and Undercurrents: the Other Side of Asia’s

Sorbonne 2015 Lecture

Presented by Prof. Chung Min Lee
Graduate School of International Studies
Yonsei University
February 2, 2015
The Many Faces of Asia
The Asian Dilemma

“Asia is the primary driver of the global economy with unparalleled opportunities in virtually all arenas”

“Asia is home to ALL of the world’s major problems with unparalleled magnitudes and impacts”
A WORLD IN TRANSITION: From the West to the East
Is There a Global Powers Shift?

But is this really good for the world?

Can Asia “rule” the world?
A New Center of Gravity

Left Vector:
Energy Belt, New Political Forces, Fragile States

Right Vector:
High Growth, High Tech, High Vulnerability
Sequential Economic Development

1st Industrialization Wave (1830s-1930s)

2nd Industrial Wave (1900s-2000s)

3rd Industrialization Wave (1960s-today)
World GDP Shares: 1500-2050


Measuring the global distribution of economic power

But how “fungible” is economic power in a globalized world?

Will new measures of global power emerge?
The World Economy: 2030-2050

GDP Breakdown 2030

- Developing Asia, 44%
- Africa, 7%
- Latin America, 8%
- North America, 5%
- Western Europe, 11%
- Australia & New Zealand, 1%
- Japan, 3%
- Middle East, 4%
- Central & Eastern Europe, 3%
- CIS, 4%

GDP Breakdown 2050

- Developing Asia, 49%
- Africa, 12%
- Latin America, 8%
- North America, 11%
- Middle East, 5%
- Western Europe, 7%
- Australia & New Zealand, 1%
- Japan, 2%
- Central & Eastern Europe, 2%
- CIS, 3%

Estimated Per Capita GDP 2050

- Austria
- Switzerland
- UK
- Canada
- Saudi Arabia
- US
- S Korea
- Taiwan
- Hong Kong
- Singapore

Citi Investment Research and Analysis 2011
ASIA’S TIPPING POINTS:
Worsening Security Dilemmas
New Spheres of Influence

1. Simultaneous rise of China, Japan, and India
2. Growing clusters of Asia’s middle powers (Indonesia, Vietnam, South Korea, Australia, Myanmar, etc.)
3. Crisscrossing of “political-military” and “economic-financial” domains
4. Asia’s rise as the central geopolitical and geo-economic “region” of the world
5. Potential for unparalleled prosperity AND instability/conflicts

- Strategic choices by every major actor in Asia
- Most pronounced competition between the world’s great powers and corresponding responses
A Birds-Eye-View of East Asia

Vibrant Economic Relationships

Asia's Strategic Rise

G-2 Cooperation

Military Rivalries

One Asia

Political Chess

FTAs

FEZs

EAC

U.S.

China

Asia and the ROW
U.S.-China relationship is significantly more complex than the U.S.-Soviet competition during the Cold War.

Managing the G-2

New Strategic Raison D’etre for America’s Asian Allies

Overcoming Asia’s Major Hurdles

All Major Policies Will Be Driven By:

1. Growing Chinese presence and denial capabilities backed up by the world’s 2nd largest economy and robust PLA

2. Alliance management is going to become more cumbersome due to growing Chinese influence

3. Multilateral cooperation is essential in overcoming Asia’s multifaceted challenges
Asia’s Security Dilemma

1. Geopolitical hotspots
2. The emerging U.S.-China strategic competition
3. Emerging asymmetrical challenges

Korean Peninsula
Taiwan Strait
Kashmir
South China Sea
PRC-Japan Rivalry
SK-Japan Rivalry
Russia-Japan Dispute
NK Nuclear Weapons
Terrorism

Asia is a “Department Store of Security Threats”
What Asia Must Avoid: HUBRIS

Europe on the eve of World War I and outbreak of the “Great War”

Greater economic linkages can’t guarantee stability and peace

World War I was the RESULT of decades of fragile balance of power

Overconfidence in economic growth/cooperation

Great power rivalries that could escalate into conflicts
Top 15 Military Spenders

- United States 39%
- China 9.5%
- Russia 5.2%
- UK 3.5%
- Japan 3.4%
- France 3.4%
- Saudi Arabia 3.2%
- India 2.6%
- Germany 2.6%
- Italy 1.9%
- Brazil 1.9%
- South Korea 1.8%
- Australia 1.5%
- Canada 1.3%
- Turkey 1.0%

1. Major Asian militaries are modernizing fairly significantly due to “Strategic Hedging”

2. For the FIRST TIME, key Asian states have to participate actively in maintaining a “Eurasian Balance”

3. Profoundly different strategic doctrine, forces, codes of conduct, and rules of engagement

4. Intensified maritime competition throughout the “Indo-Pacific”
Asia’s Shadow Boxing

Since 2010, Asia outspends Europe on defense

Increasing focus on A2/AD (Anti-access/Area Denial) capabilities

Intensifying intelligence competition and cyber operations

Growing indigenous power projection capabilities
Asia’s Nuclear Domino?

1. Collapse of NPT?
2. Intermittent North Korean Tests?
3. Robust Chinese Nuclear Capabilities
4. Uncertainty of US Nuclear Umbrella

“Secondary Triggers”

PATH 1: No More Proliferation
PATH 2: “Virtual Nuclear Capabilities” (systematic experimentation)
PATH 3: New breakout states triggered by North Korean test and continuing Chinese strategic forces modernization

1. Collapse of NPT?
2. Intermittent North Korean Tests?
3. Robust Chinese Nuclear Capabilities
4. Uncertainty of US Nuclear Umbrella
Or A New Soft Power Index?

**Soft Power Index**

**Social Progress Index**
- Nutrition and Basic Medical Care
- Water and Sanitation
- Shelter
- Personal Safety

**Foundations of Wellbeing**
- Access to Basic Knowledge
- Access to Information and Communications
- Health and Wellness
- Ecosystem Sustainability

**Opportunity**
- Personal Rights
- Personal Freedom and Choice
- Tolerance and Inclusion
- Access to Advanced Education

**Key advantages are:** (1) focus on outcome indicators, rather than input measures, (2) 3 broad dimensions of social progress and 4 equally weighted components, (3) weighted sums

**SPI is based on answering three key questions:** (1) is a country providing most essential needs?, (2) can individuals/communities maintain wellbeing?, and (3) can all people reach their full potential?

**In TOP 30, ONLY 3 in the Asia-Pacific: Japan, Australia, and SK**

<table>
<thead>
<tr>
<th>Country</th>
<th>Social Progress Index (SPI) Rank</th>
<th>SPI Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>14th</td>
<td>84.21</td>
</tr>
<tr>
<td>South Korea</td>
<td>28th</td>
<td>77.18</td>
</tr>
<tr>
<td>Malaysia</td>
<td>45th</td>
<td>70.00</td>
</tr>
<tr>
<td>The Philippines</td>
<td>56th</td>
<td>65.86</td>
</tr>
<tr>
<td>Thailand</td>
<td>59th</td>
<td>59.14</td>
</tr>
<tr>
<td>Indonesia</td>
<td>88th</td>
<td>58.98</td>
</tr>
<tr>
<td>China</td>
<td>90th</td>
<td>58.67</td>
</tr>
</tbody>
</table>

**USA 16th**
**Australia 10th**
**UK 13th**
ASIA’S TIPPING POINTS:
Emerging Demographic Time Bombs
Global Population Trends

- 2014: 7.2 billion
- 2050: 9 billion
- 2100: 10.9 billion

40% in Asia
The World’s Urban Populations: Today and 2050
Asia’s Real Cultural Revolution

More affluent Asians want better social welfare services, especially since it’s aging rapidly.

Indonesia has promised universal health care for its citizens by the end of 2014.

China has extended pension coverage to an additional 240 million rural Chinese, far more than the total number of those covered by social security today.

Today, China has 5 workers for every 1 old person. In 2035, this will drop to 2 workers for every 1 old person.
Demographic Surprises

Sanjeev Sanyal, Deutsche Bank 2013

UN projections were TOO pessimistic and based on DB’s calculations, world population growth is likely to be much slower

① Global fertility will fall to replacement level in less than 15 years and that “population may keep growing for a few more decades from rising longevity but, reproductively speaking, our species will no longer be expanding.”

② World population is likely to peak around 2055 at 8.7 billion and decline to 8 billion by the end of the 21st century

③ The difference between the UN’s projection and DB’s projection is quite severe, since it’s 2.8 billion people OR THE ENTIRE WORLD’S POPULATION IN 1955
Urbanization in Asia: 1960-2010
Aged Population in 2050

Pew Global Poll, January 30, 2014
Thinking About Aging

Is Aging a Problem in Your Country?

Total no. of 65 and older will triple to 1.5 billion by 2050

In Japan and Korea, majorities of population will older than 50 in 2050

Confidence in standard of living in aged societies are lowest in Japan, Italy & Russia

Pew Global Poll, January 30, 2014
Living Well in Old Age?

Will You Have an Adequate Standard of Living in Old Age?

- China
- Brazil
- S Africa
- Pakistan
- US
- Indonesia
- S Korea
- Israel
- Japan
- Italy
- Russia

- Very Sure
- Somewhat Sure
Who Pays for Elderly Care?

Who Should Pay?

- Russia: 20% Myself, 40% My Family, 40% Government
- China: 10% Myself, 30% My Family, 60% Government
- Indonesia: 30% Myself, 30% My Family, 40% Government
- Germany: 50% Myself, 30% My Family, 20% Government
- France: 30% Myself, 40% My Family, 30% Government
- Japan: 40% Myself, 40% My Family, 20% Government
- Korea: 40% Myself, 40% My Family, 20% Government
- US: 20% Myself, 60% My Family, 20% Government
- Pakistan: 10% Myself, 90% My Family, 0% Government
## A Flood of Retirees by 2050

### RETIREES PER 100 ADULT WORKERS: 2005 AND 2050

<table>
<thead>
<tr>
<th>Country</th>
<th>2005</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>Indonesia</td>
<td>7</td>
<td>17</td>
</tr>
<tr>
<td>China</td>
<td>10</td>
<td>28</td>
</tr>
<tr>
<td>Korea</td>
<td>10</td>
<td>55</td>
</tr>
<tr>
<td>Japan</td>
<td>25</td>
<td>47</td>
</tr>
<tr>
<td>Singapore</td>
<td>10</td>
<td>40</td>
</tr>
</tbody>
</table>

### Predicted change in public healthcare spending as % of GDP

- **Japan**: 12.5%
- **Korea**: 10.3%
- **China**: 8.3%
- **India**: 6.7%
- **Indonesia**: 7.3%

*CBNC, Special Report, November 14, 2013*
ASIA’S TIPPING POINTS:
The Upcoming Revolutions
Leaders Who Transformed Asia

All were deeply affected by war, devastation, and the need for national reconstruction.

None of them were democrats in the traditional sense of the term: all were authoritarian to varying degrees.

Pragmatic leaders who emphasized tangible results with heavy reliance on technocrats.

Directly and indirectly connected their countries irreversibly with the world system.

Basic economic policies have outlived their years in power with strong institutions.

All were deeply affected by war, devastation, and the need for national reconstruction.

The East Asian Economic Miracle
Global Freedom Trends by Regions

The region with the highest number of “NOT FREE” countries was in the Middle East, North Africa (MENA) with 66% or significantly higher than Eurasia with 58%.

Asia-Pacific was the most “balanced” of all regions: 21% (NOT FREE), 41% (FREE), and 38% (PARTIALLY FREE).

1. What are the prospects for longer term sustainability of democracies in the Asia-Pacific region?

2. How has rapid economic growth contributed to the pace and depth of democratization in Asia?

3. How will China transition politically into 2020 and beyond? What about North Korea, Myanmar, and Pakistan?
Democracy in Asia: 1970-2010

CHINA  INDIA  INDONESIA  KOREA  JAPAN  SINGAPORE  PHILIPPINES  PAKISTAN  VIETNAM

Taiwan 47
South Korea 50
Japan 53
Hong Kong 58
Indonesia 139
India 140
Cambodia 143
Philippines 147
Singapore 149
Burma 151
Vietnam 172
China 173
North Korea 178

Ranking out of 179 countries

Not a single Asian country was in the top 40. (Australia was 26).

South Korea listed as “partly free” in the Freedom House Press Freedom Index 2013
Key Political Speed Bumps

Ferdinand Marcos, ousted in “People’s Power” revolution in 1986

Restoration of democracy in 1987

Lifting of martial law in 1987

Suharto ousted after Asian financial crisis in 1987

Lifting of Martial law in Burma, 2011

The Future of the CCP

Transitions in North Korea

Multiparty politics in Singapore/Malaysia

Future of fragile states (Pakistan)

The power of civil society and new media
One Man, One Phone

China
- SMS: 84%
- Browsing: 75%
- Video: 35%
- Mobile Shopping: 43%

India
- SMS: 45%
- Browsing: 15%
- Video: 8%
- Mobile Shopping: 7%

South Korea
- SMS: 93%
- Browsing: 80%
- Video: 44%
- Mobile Shopping: 43%
Mobile Phones in Asia: 1990-2010

<table>
<thead>
<tr>
<th>Country</th>
<th>1990</th>
<th>2000</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>18,319</td>
<td>85,260,000</td>
<td>859,003,000</td>
</tr>
<tr>
<td>Japan</td>
<td>868,078</td>
<td>66,784,374</td>
<td>123,287,125</td>
</tr>
<tr>
<td>Korea</td>
<td>80,005</td>
<td>26,816,398</td>
<td>50,767,241</td>
</tr>
<tr>
<td>India</td>
<td>0</td>
<td>3,577,095</td>
<td>752,190,000</td>
</tr>
<tr>
<td>Indonesia</td>
<td>18,096</td>
<td>3,669,327</td>
<td>211,290,235</td>
</tr>
<tr>
<td>Vietnam</td>
<td>0</td>
<td>788,559</td>
<td>11,570,201</td>
</tr>
<tr>
<td>Myanmar</td>
<td>0</td>
<td>13,397</td>
<td>594,000</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2,000</td>
<td>306,493</td>
<td>99,185,844</td>
</tr>
<tr>
<td>Philippines</td>
<td>0</td>
<td>6,454,359</td>
<td>79,895,646</td>
</tr>
</tbody>
</table>
MANAGING & MAKING A NEW ASIA
What Northeast Asia Has to Achieve
How the World Sees the U.S.

60 years of alliance management has provided key dividends for the United States

NATO and U.S. allies in Asia continue to have fairly high favorability ratings for the U.S.

BUT, rapid rise of China AND possibility of relative decline in U.S. influence worries U.S. allies
How the World Sees China

China's increasing economic clout has resulted in unparalleled support for China across the world.

But MOST countries in Asia perceive China warily and some, like Japan, as a real military threat.

Generally favorable views on economic relations don’t necessarily translate into favorable political views.
# How Asia Perceives the U.S. and China

<table>
<thead>
<tr>
<th>Countries</th>
<th>Favorable U.S.</th>
<th>Favorable China</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>69%</td>
<td>5%</td>
<td>+64%</td>
</tr>
<tr>
<td>Philippines</td>
<td>85%</td>
<td>48%</td>
<td>+37%</td>
</tr>
<tr>
<td>South Korea</td>
<td>78%</td>
<td>46%</td>
<td>+32%</td>
</tr>
<tr>
<td>Australia</td>
<td>66%</td>
<td>58%</td>
<td>+8%</td>
</tr>
<tr>
<td>China</td>
<td>40%</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Indonesia</td>
<td>61%</td>
<td>70%</td>
<td>-9%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>55%</td>
<td>81%</td>
<td>-26%</td>
</tr>
</tbody>
</table>

Average favorable U.S. rating by America’s Asian allies: 74.5%
Average favorable China rating by America’s Asian allies: 39.25%
Average favorable U.S. rating by NATO allies: 59%
Average favorable China rating by NATO allies: 41%

Europe

<table>
<thead>
<tr>
<th>Europe</th>
<th>Pos. U.S.</th>
<th>Pos. China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>76%</td>
<td>28%</td>
</tr>
<tr>
<td>Germany</td>
<td>53%</td>
<td>28%</td>
</tr>
<tr>
<td>Poland</td>
<td>67%</td>
<td>43%</td>
</tr>
<tr>
<td>Czech</td>
<td>58%</td>
<td>34%</td>
</tr>
<tr>
<td>Spain</td>
<td>62%</td>
<td>48%</td>
</tr>
<tr>
<td>UK</td>
<td>58%</td>
<td>48%</td>
</tr>
<tr>
<td>Russia</td>
<td>51%</td>
<td>62%</td>
</tr>
<tr>
<td>Greece</td>
<td>39%</td>
<td>59%</td>
</tr>
<tr>
<td>Median</td>
<td>58%</td>
<td>43%</td>
</tr>
</tbody>
</table>
Power Shift? Korean Views

Despite widely held perceptions that Koreans have “emotional” views, their power perceptions are very pragmatic.

Most Koreans believe that over time, Chinese influence cannot but grow and that it will become more influential than the United States.

Current Influence  Future Influence

**Current and Future Influence: U.S. and China**

**Current and Future Influence: Regional Powers & Korea**

- U.S.: Current 61.4%, Future 23.9%
- China: Current 25.4%, Future 60.4%
- Don't Know/Refused: Current 13.2%, Future 15.7%

- U.S.: Current 8.70%, Future 7.90%
- China: Current 7.60%, Future 9.20%
- Russia: Current 6.00%, Future 6.00%
- Japan: Current 5.10%, Future 4.80%
- SK: Current 6.00%, Future 6.00%

Asan Institute for Policy Studies
Korea’s Threat Perceptions

**Korea’s Threat Perceptions**

- **China Threat:** 31.7% Economics, 6.9% Security, 60.7% Both
- **Japan Threat:** 27.1% Economics, 14.5% Security, 60.7% Both
- **North Korea Threat:** 2.3% Economics, 69.6% Security, 27.1% Both

**Korea’s Ties with Surrounding Countries**

<table>
<thead>
<tr>
<th>Country</th>
<th>Improved</th>
<th>Positive Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>56.6%</td>
<td>75.1%</td>
</tr>
<tr>
<td>China</td>
<td>53.5%</td>
<td>66.7%</td>
</tr>
<tr>
<td>Japan</td>
<td>6.6%</td>
<td>22.0%</td>
</tr>
<tr>
<td>NK</td>
<td>8.2%</td>
<td>46.5%</td>
</tr>
</tbody>
</table>

Favorability Ratings of Neighboring Countries (Sale 0-10, Completely Unfavorable “0” and Completely Favorable “10”)

<table>
<thead>
<tr>
<th>Country</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>5.68</td>
</tr>
<tr>
<td>China</td>
<td>4.47</td>
</tr>
<tr>
<td>NK</td>
<td>2.52</td>
</tr>
<tr>
<td>Japan</td>
<td>2.28</td>
</tr>
</tbody>
</table>
A New Strategic-Economic Frontier

- Maintain core alliance with the United States
- Foster operational US-Korea-Japan trilateral security cooperation
- Elevate ties with Vietnam, Indonesia, and Kazakhstan to comprehensive strategic partnerships including defense ties

Exploit Russia’s long-term concerns over the preponderance of Chinese power
- Accentuate unified Korea’s role as a strategic asset and thereby mitigating significantly geopolitical tensions in Northeast Asia
- Expanding South Korea’s economic forays into Far Eastern Russia and linkages with the Eurasian economic belt
Cross Currents on the Korean Peninsula
Asia’s Unavoidable Tasks

Demographic Shifts (2020-2050)
- Surge in Developing Economies
- Population Decline in Advanced Economies

Growing Inequalities
- Economic Insecurity and Widening Income Gaps
- The Top 5% versus the rest of the 90%

Rising Social Welfare Costs
- Social, Economic, and Political Ramifications
- Transnational Migration
- Unprecedented Social Welfare Costs
China’s rise is irreversible and its growth has forever changed China and Asia. But Asia must feel comfortable with an increasingly powerful China.

Japan has been a democracy since World War II and a major contributor to the global commons. But Asia must feel comfortable with a Japan that wishes to play a larger security role.

Korea has made rapid progress over the past half century. But Asia must feel comfortable with a unified Korea that is democratic and as a zone of prosperity and peace.

We can be wealthy, responsible, AND free

We must overcome deeply rooted mistrust

We must write a more common future