

The new East Asian jigsaw

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If 2018 was the year of unscrambling, the next year will offer a clearer picture of how the U.S.-China power struggle has reshaped the region, with Taiwan being a potential flashpoint

In 2018 all the big pieces in the East Asian international order were thrown up in the air. The U.S.-China economic relationship was transformed by a trade war, their strategic relationship became one of open and declared rivalry; Korean affairs took off on a new and quite unpredictable trajectory; Taiwan edged back towards a central place in regional geopolitics; and countries throughout Asia found themselves facing tougher and tougher choices between Washington and Beijing.

So 2019 will be a big year, as we see where all these pieces land.

Let's start with the trade war. It is already clear that for Washington, this is about much more than President Donald Trump's obsession with redressing the U.S.-China trade deficit. It is about blocking China's disconcertingly powerful challenge to America's traditional place as the world's biggest and most advanced economy

Washington may claim that it is targeting China's unfair methods, but its real concern goes much deeper. It fears the fast-approaching day on which China's gross domestic product unambiguously overtakes America's, and China draws ahead in critical new technologies. In other words, it wants to block China's rise, and that is something Beijing will never accept. That means the trade war is not going to be resolved by a neat negotiation in which China makes a few concessions and things go back to normal.

Unless Mr. Trump decides to back off — which seems unlikely — then we will find ourselves in 2019 watching the world's biggest and most important economic relationship, and the primary engine of globalization, increasingly fracture.

That will have major direct consequences for growth around the world and especially in Asia, but it will mean a lot more than that

We can see one example of what that will mean by looking at the future of the new 5G technologies, with experts predicting that China and America will develop separate and incompatible systems. There is even talk that the Internet may eventually divide into Chinese and American spheres. That's not the world we thought we were living in

Of course the growing economic and technological rivalry is deeply intertwined with a sharply intensifying strategic contest. 2018 will go down in history as the year in which Americans at last recognized that China wants to transform the East Asian order by taking America's place as the region's primary power.

After years of half-hoping that China would continue to accept U.S. leadership, Washington's policy community has swiftly swung round. It sees China's ambitions clearly, and is almost unanimously determined to do whatever it takes to defeat them and preserve U.S. leadership.

It is clear that no one in Asia wants to choose between America and China, but 2019 might be the year in which they face irresistible pressure to do so. For our region's leaders and diplomats, this will make the next 12 months very demanding indeed.

Questions for Washington

But how can that be done? It is easy to talk, as many in Washington now do, of a "new Cold War" with China, but how is this new Cold War to be won against an adversary that is in many ways so much more formidable than the Soviet Union was?

How much will it cost, and how dangerous will it be? These questions have hardly begun to be seriously debated in Washington. We have seen only faltering and uncertain steps so far to try to push back against China's growing power and influence. So a lot of work must be done in 2019 to develop a coherent and credible strategy, and it won't be easy.

Can America build an effective diplomatic approach to convince China's Asian neighbors to line up against Beijing in a campaign of containment? Can it offer enticements to overcome the gravitational pull of China's economic opportunities?

Can it develop a workable operational strategy to restore the favorable military balance that it has lost in recent years as China's air and naval forces have grown? Can it prevail over Beijing in future tests of nerve, or will it fumble and retreat as it has done so often in the South China Sea in recent years?

Taiwan tensions

Unfortunately, these questions will have to be addressed against the background of increasing tensions over Taiwan, which has always been the most sensitive and intractable strategic question between America and China.

As strategic and economic tensions rise, attitudes on both sides seemed to harden in 2018.

Washington became increasingly willing to test the boundaries of Beijing's tolerance, Beijing showed more and more impatience with the uneasy status quo across the Taiwan Strait, and Taiwan's always-volatile domestic politics added to the uncertainties.

All this matters because Taiwan remains the issue above all others over which both Washington and Beijing would most readily fight a major war. That's still only a remote possibility, but it is not as remote as it used to be

Deepening rivalry and hardening attitudes increase the risk that some minor incident or deliberate provocation could balloon into a full-blown U.S.-China military confrontation, and once that happens no one can say where it might end.

That makes it very important whether in 2019 tensions over Taiwan increase or ease — and it is hard to be optimistic about that.

Korean Peninsula

It is easier to be optimistic about the other big regional flashpoint — the Korean Peninsula.

This time last year the risks of war there seemed very high, as Washington's insistence that North Korea must give up its nuclear weapons was defied by Pyongyang.

Since the remarkable June summit between Mr. Trump and North Korean leader Kim Jong Un in Singapore, however, the atmospherics have changed utterly. Mr. Kim seems no closer to abandoning his nuclear weapons, but Washington has stood by as North Korea and South Korea began to rebuild links in a way that holds promise for a long-term lowering of tensions between them.

One of the key questions for 2019 will be how far this process will continue, and where it will lead.

Many in Washington fear that South Korean President Moon Jae-in is undermining pressure on the North to disarm by his eagerness to build economic and political linkages, but Mr. Trump himself may not care much.

He seems more eager to claim a diplomatic success with the North than to actually remove its nuclear weapons, and President Moon himself seems willing to defy Washington to move his opening to North Korea forward. Perhaps 2019 will be the year when the Korean War is at last declared formally to be at an end.

If so, that will have important implications for the last of the big questions that loom for Asia over the year ahead — how the countries of Asia themselves respond to the tumultuous realignment of regional power politics.

2018 has been notable for the way that many of the region's key countries have moved to reposition themselves as the economic and strategic rivalry between America and China has intensified.

One by one, key U.S. friends and allies in Asia have stepped back from unqualified support for Washington.

Seoul has gone its own way on relations with the North. ASEAN sought to head off any attempt to redefine regional politics in terms of competing blocs. Indian Prime Minister Narendra Modi made it clear he would not join an anti-China coalition led by America. Japanese Prime Minister Shinzo Abe pursued a careful rapprochement with a successful visit to Beijing.

And even Australia, America's most loyal ally in Asia, pointedly refused to endorse Washington's declarations of economic and strategic rivalry with China.

It is clear that no one in Asia wants to choose between America and China, but 2019 might be the year in which they face irresistible pressure to do so. For our region's leaders and diplomats, this will make the next 12 months very demanding indeed.

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