In the coming issue of The National Interest...

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The Realist: Geopolitical Jihad
by Ximena Ortiz

In the Muslim world, the political has an "Islamic" identity, "Islamists" promote the political, and geopolitics and Islamism converge in rage.

Comments and Responses: China and Asia

Pang Zhongying, Sherman Katz, Devin Stewart and **Jorgen Ostrom Moller**.

Iran: Threatened Regimes

A Modest Proposal
by Brent Scowcroft

It¹s about the fuel cycle, not the regime.

A Profile in Defiance
by Ray Takeyh

Ahmadinejad came of age in the aftermath of the Iran-Iraq War. He sees little benevolence in the West¹s interventions and conflict as inevitable.

The Osirak Fallacy
by Richard K. Betts

If the strike on Osirak failed to turn back the clock on Saddam's

	nuclear program, why would one work for Iran? <u>Contemplating the Ifs</u> by W. Patrick Lang & Larry C. Johnson There's no Hollywood solution to dealing with Iran-just a bunch of bad options. <u>A Fragile Consensus</u> by Bruno Tertrais Unlike the Iraq War, the Iranian nuclear crisis will not convulse transatlantic relations-for the time being. <u>Democracy, Realistically</u> by John M. Owen IV Advancing U.S. interests and global democracy promotion are complimentary goals. <u>A Difficult Country</u> by Anatol Lieven There are no textbook solutions for the problems of a country like Pakistan-but a creative approach can go a long way. <u>Al-Qaeda¹s Media Strategies</u> by Marc Lynch Jihad is as virtual as it is real. <u>Strategic Myopia</u> by Leon Fuerth Policymakers must network responses and see beyond categories to react to potentially dire threats. <u>In Brief: Thoughts on National Security</u> Graham Allison, Ian Bremmer, Harlan Ullman and Derek Chollet. <u>The Threat of Global Poverty</u> by Susan E. Rice	

Poverty aids the spread of transnational threats, from terrorism to pandemics.

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Italy's upcoming election and political theater could have real implications for American and Europe.

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For the United States, mediating territorial crises must involve geopolitical juggling.

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Not all cultures are equally conducive to progress.

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Islam should be harnessed, not neutralized, to create a moral and stable society.

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From the wreckage of communism's legacy, the ideology rises again.

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The promotion of democracy is the centerpiece of Bush's foreign policy, but the president has yet to define democracy.

Strategic Horizons
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China's Power Paradox
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China has striven to moderate at least the appearance of its global ambitions.

Patriot Games
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The Middle East Waiting Game
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Many in the Islamic world experience their own internal clash of civilizations.

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The rise of China and the emergence of a global supply chain centered in Asia have been themes extensively covered in the last several issues of *The National Interest,* notably in the contributions in the winter issue from Maurice R. Greenberg and Barry Lynn, as well as the proposal for a Northeast Asian Regional Forum. Allow me to make some additional observations.

China's economic growth continues to be impressive but not all omens are good ones. Moreover, the Chinese leadership knows that it is imperative to create jobs to ensure social stability as the foundation for political stability. Up till now, China and the rest of Asia have depended upon increasing exports to the United States. The question remains whether, in the event of a major recession in the United States, the economies of China and the other states of Asia would be able to generate sufficient domestic demand to replace any slowdown in U.S. consumption.

There are encouraging signs. The number of urban households in China with an annual income above $5,000 has been increasing by about 24 percent per year. In less than ten years, China is expected to emerge as the second largest global consumer after the United States. India is also enjoying rapid growth in domestic consumer demand. What this means is that we are reaching a point where Asia is becoming a self-sustaining growth area, no longer dependent on exports to the United States as the primary factor for determining economic growth. Indeed, for Asia as a whole, the share of total exports going to China has increased from eight percent (in 2000) to approximately 18 percent in 2005. An intra-Asian supply chain is emerging with the economies of Asia becoming interlinked with China at the center.

This is creating not only economic but political incentives for greater Asian integration. Among the member-states of ASEAN, there is clear recognition that they need to organize themselves into a strong partner and counterweight to China. In turn, China itself is recognizing that it needs to "share" some of the benefits of its economic growth with its neighbors; that the prerequisite for political stability and economic prosperity for the entire region is Chinese magnanimity, realizing that its growth has to benefit Asia as a whole and not only China. This is why China has initiated negotiations for a free trade agreement with first the ten ASEAN countries and then India.

There are two odd partners in this scheme. Japan and Australia. Japan has seen its political and economic leadership in Asia slipping away in favor of a new economic order driven by China and India. However, Japanese industry cannot survive outside or even with a sullen Japan as partner. It needs to maintain its place inside this ongoing process of integration to avoid relegation in the supply chain. This explains why the chairman of the Nippon Keidanren (Japanese Business Federation) paid a visit (September 30, 2005) to Chinas president Hu Jintao, bypassing his own prime minister in the process.

Australia faces the dilemma of coming to grips with the awkward question whether it belongs to Asia or not. Analyzing the trade statistics reveals strong Australian dependence on Northeast Asia, less so on Southeast Asia—and an Australia left outside of an integrated Asia would spell doom for many of Australia's primary industries.

The wooden nickel in all this is the U.S. attitude. The United States has not – apparently – made up its mind whether it want to bless Asian integration or throw a spanner into the works. Politically, of course, a stronger Asia could also act as a counterbalance to the United States. Economically it makes sense for the United States to further Asian integration as a way to maintain momentum for global growth. Measured in purchasing power parities China and India account for 80 percent of the U.S. Gross National Product. Add in Japan, Korea and Southeast Asia and you get approximately 125 percent. This allows the United States to "share" responsibility for keeping the global economy on track with the rising economies of Asia. The alternative in the form of global recession is, frankly speaking, not attractive.

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