

# Rethinking China: Australia and the World

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**Paul Monk**

## Contents

1. [Introduction](#)
2. [Speech](#)
3. Nautilus [invites your response](#)

## Introduction

Paul Monk, of Austhink Consulting, Melbourne, says:

"My subject is rethinking China, and how such rethinking is likely to impact on Australia and the world at large, or at the very least Australia's place in the world. I would like to dwell on three things. The nature of 'rethinking'; the nature of 'China' and the challenges for Australia, as regards its place in a world in which China is becoming a more and more substantial presence. The bedrock idea is that the complexities in the equation, the challenges China faces, the constraints on the growth of its power in the 21st century world and the changes it may well undergo in the years ahead should compel us to think, at a minimum, in terms of four different kinds of scenarios for China's future. I call these four scenarios mutation, maturation, militarisation and metastasis. Each is distinct in both its nature and its implications from the tacit standard, uncritical scenario, which I call the Linear Ascent Model or LAM."

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## Speech

### Rethinking China: Australia and the World

Paul Monk, Austhink Consulting

7 September 2005

Edited speech at the launch of [Thunder From the Silent Zone: Rethinking China](#) (Scribe, October 2005).

My subject is rethinking China, and how such rethinking is likely to impact on Australia and the world at large, or at the very least Australia's place in the world. I would like to dwell on three things. The nature of rethinking; the nature of 'China' and the challenges for Australia, as regards its place in a world in which China is becoming a more and more substantial presence.

The first of these, 'rethinking' is my most fundamental concern. It is the business I'm in, China and the book quite apart. The second, 'China' has been a particular preoccupation of mine since I completed my doctorate a decade and a half ago and went to work for the Australian government as an intelligence analyst on East Asia. The third, Australia's place in the world is our common concern here this evening and in that respect I address you as a fellow citizen, or, in the case of those of you who are guests in Australia, as a fellow citizen of the world.

The simplest way into the topic of 'rethinking', I think, is to draw a distinction I like to emphasise between *predicting the future* and engaging in *scenario planning*. There's an old joke to the effect that prediction is a hazardous business, especially when it involves the future. Yet, time and again, prediction, and overconfident prediction at that, is what policy makers, intelligence analysts, business people and fortune tellers engage in. Such prediction tends to be based, in considerable measure, on extrapolation from what seem to be robust trends and on deeply held assumptions which are not subjected to very much critical examination. Therein lie the hazards.

By contrast, scenario planning involves thinking about various possible futures and the different ways things could turn out depending on whether certain trends continue or are disrupted, on whether certain assumptions prove warranted or otherwise, and on what actions are taken by various parties to *effect* their preferences as regards future outcomes. Such thinking is much more intellectually interesting than prediction, but also much more demanding and much less superficially conclusive. The cognitive burden it imposes is the chief reason why it is not commonly undertaken or taken seriously.

Let me underscore this point, because it has considerable relevance to China's possible futures and their quite different implications for Australia and the world. Just over a decade ago, social scientist Philip Tetlock completed a longitudinal study of the confidence levels of experts in international affairs. He asked a representative sample of experts in various specific fields to make predictions in their own field looking anything from a few months to five years ahead - not long term predictions. Moreover, he asked them very basic questions, absolutely central to their field. For example, experts on the Soviet Union were asked, in 1988, whether, by 1993, the Communist Party's grip on power would be stronger, weaker or about the same. Note that they were *not even asked* whether the Communist Party might have lost power altogether and the Soviet Union have ceased to exist.

Experts on South Africa were asked whether the apartheid regime would have strengthened, weakened, become more extreme or more reformist. Experts on US politics were asked, in July 1992, whether George Bush Sr, Bill Clinton or Ross Perot would win the Presidential election in November that year and so on. The experts were also asked to rate the confidence with which they made their predictions. There were seven sets of experts, seven different predictions to make. Tetlock waited for the future to happen and then checked it against the predictions of the experts. He found two surely rather interesting things: first, across all seven cases, the experts performed *no better than random* in the accuracy of their predictions. Second, they were badly calibrated, which is to say that their *confidence* in their predictions was much greater than was justified by their accuracy.

Why do I mention the Tetlock study here this evening? Because ever since China's economy started to go gang busters, *predictions* about where things were heading have been increasingly common and commonly rather facile, but the actions taken on the basis of such predictions are or could be of very great significance. For a decade or more now, I have been struck by how unreflectively people have come to talk of China's rise and its implications and how very much has come to hang off those predictions in terms of investment, foreign policy and strategic thinking. To give but a few of the more prominent examples, Malcolm Fraser has long since expressed the view that China is set to displace the United States as the number one economy in the world within a decade or two; Bob Hawke has long since said that China is about to resume its traditional role as the greatest power in the world; while Hugh White, just a few months ago, expressed the view that China could soon displace the United States as Australia's new 'great and powerful friend'.

Quite a few years ago, now, bemused by this kind of prediction, I wrote a few papers taking issue with it and outlining how a more sensible and thoughtful scenario-based approach to China's futures might be attempted. Those papers were the first seedlings of what has just become *Thunder From the Silent Zone: Rethinking China*. The bedrock idea I advanced then and have elaborated on in the book is that the complexities in the equation, the challenges China faces, the constraints on the growth of its power in the 21st century world and the changes it may well undergo in the years ahead should compel us to think, at a minimum, in terms of four different kinds of scenarios for China's future. Partly for mnemonic purposes, I call these four scenarios *mutation*, *maturation*, *militarisation* and *metastasis*. Each is distinct in both its nature and its implications from the tacit standard, uncritical scenario, which I call the Linear Ascent Model or LAM. Far too many commentators, I think, including many so-called experts are, as it were, on the LAM, which is to say, fleeing from the hard thinking tasks that the possible futures of China present us with.

The basis for and implications of the four scenarios are spelled out in the first part of the book and I shan't digress here to enlarge on them, except to note that *mutation* entails fundamental reshaping of the polity and economy in China, such that, for practical purposes, the China we are dealing with a little further down the track is not the People's Republic, with Mao Zedong as its founding hero. *Maturation* entails a leveling out of the rapid growth we have been seeing, leaving China better off in some respects, but with enormous social, demographic, environmental and economic challenges. *Militarisation* entails a lurch into national chauvinism, whether out of hubris or frustration. *Metastasis* entails things coming seriously unglued, in part because the Communist Party fails, finally, to address the institutional problems it created during the first half century of its rule.

The uncertainties in how things will play out and the very different consequences of one scenario compared with another are what should be driving analysis of and rethinking about China here in Australia. I do not see enough evidence of such searching, sophisticated analysis and I hope that *Thunder From the Silent Zone* will help to stimulate some of it. But I want to emphasise two things at this point. The first is that the book does not predict which scenario will occur, but it does argue consistently that it would be in the best interests of China, Australia and the world at large for the

first scenario, *mutation*, to occur. Our strategic thinking should be shaped by sustained analysis of what we can do to help bring that future into being and how we need to hedge against the possibility that the future will be otherwise.

I use the word 'hedge' here quite deliberately. We have all, over the past generation, become familiar with the concept of a hedge fund. One of the most famous, if ephemeral of hedge funds was a company set up in 1994 by a man called John W. Meriwether: Long Term Capital Management (LTCM). Last year, in a paper called 'Meriwether and Strange Weather: Intelligence, Risk Management and Critical Thinking', I pointed out how at LTCM a group of brilliant quants came spectacularly unstuck when overconfidence in their math models, their assumptions about market efficiency and their own intuitive genius led them to create a trillion dollars worth of exposure over four years, making remarkable profits, then lose almost everything in five weeks, in August and September 1998. How did this happen? In the simplest terms, because, ironically, LTCM failed to hedge.

Hedging means placing bets on a risk weighted basis, given that we are uncertain about how the future will play out. How are we hedging our bets in regard to the possible futures of China? Who is even thinking rigorously about what this might mean? How are they quantifying the risks? Have they even specified what the range and relative gravity of the risks is? What confidence do they have that their quantifications are sounder than those of the brilliant quants at LTCM who blew a trillion dollars in five weeks? If they are confident, how well calibrated are they? Last year, around the time I wrote the LTCM paper, I attended a conference in Canberra on China's economy and asked a senior DFAT officer, who had just returned from three years in Geneva working on WTO issues, whether he believed China's accession to the WTO would be more likely to precipitate reform in its dangerously insolvent financial institutions or a banking crisis. He replied that he had never heard that there was a problem with China's financial institutions. Hold onto your socks!

I need not, I trust, dilate further here and now on the nature of rethinking, much as it would be a professional pleasure to do so. Let me turn, instead, to the question of the nature of 'China'. Certainly, a major purpose I had in writing *Thunder From the Silent Zone* was to offer to a broad, intelligent, practical readership a book on China that would address this question in a manner at once accessible and rigorous. That did not mean simply offering a narrative history or a cultural survey or an economic update. It meant, rather, looking at China from a number of different angles and asking some tough questions about how it has become what it is and how it is changing or might do so. I have just touched, ever so lightly, on the economic aspect of China. Let me just as lightly make a few observations regarding three other aspects of it: Chinese culture in the modern world, the prospect for democracy and human rights in the Chinese world, and China's claims to Taiwan.

As it happens, these topics correspond to parts three, four and two, respectively, of *Thunder From the Silent Zone*. I leave Part Two until last, because it flows most naturally into the third part of my remarks to you this evening - Australia's place in the world and its relations with China. As regards Chinese culture, nothing seems more common than the way in which tourists, diplomats and military officers who visit China, or even just read about it, get overcome by the mystique of the Middle Kingdom. This stands in striking contrast to the paradox, evident around the world, that American popular culture has universal appeal, but the United States is held in widespread disdain both by the Left for ideological reasons and by many cultural elites out of snobbery.

One of my favorite tales of the mystique is that of Henry Kissinger, when he first visited Mao's China, remarking to Zhou Enlai how wonderful it was finally to be able to visit "your mysterious country. The Chinese premier is said to have responded, "There's nothing especially mysterious about China, Dr Kissinger, once you know a little about it." Given how deliberately and consistently the Communist Party had and has always played the Middle Kingdom game, this was unusually frank

on Zhou Enlai's part. It was also correct. A necessary corrective to much starry eyed or over-awed waffle about China is to think dispassionately about it, just as one can and should about any other subject. Three very basic observations should serve as points of departure in this respect. (1) The Chinese language is the world's greatest creole, not some pure, primordial, mandarin tongue. (2) Confucius is to China roughly what Plato has been to the West and should be analyzed and evaluated not idolized. (3) The Chinese state now lays claim to the borders of an empire, not those of a nation state, and those borders were never the borders even of the classical Chinese empire, only those established by the foreign Manchus, who were overthrown in 1912.

The real key, however, to understanding modern China is the debate that has gone on in China itself for over a hundred years about how to bring the hobbled old Middle Kingdom and its archaic system of governance into the modern world. That debate is deeply interesting and pivots on the calls by students during the years immediately after the overthrow of the Manchus for science and democracy to be brought to China. Those are still the catch cries. And no single consideration is more important to an understanding of what China is than the knowledge that precisely these two things have been much more hindered than helped by the Communist Party's half century of dictatorship over China.

When the Chinese Ambassador, Madame Fu Ying, asserted recently, in regard to the fears of defector Chen Yonglin, that "This is not the 1970s, China has moved on", she was, at best, fudging the truth. The arrest of Ching Cheong on charges of espionage in April, simply because he sought to obtain a manuscript copy of the last interviews with Zhao Ziyang, was a stark reminder of how far the Communist Party still has to go with regard to democracy. The efforts of the Communist government to discourage Chinese scientists from investigating the origins of avian flu H5N1 in Qinghai, as reported in *New Scientist* in early July are an equally stark reminder of how far it still has to go in regard to science. And here's the thing: these considerations are culture-independent ones. Neither abuse can be justified on 'cultural' grounds. Both involved repression of Chinese thinkers by the Chinese Communist government. Repression, not something mysterious about China is the issue and, Madame Ambassador, there is a way to go yet.

But let me give a particular focus to the question of debates about the nature of China, from a cultural point of view. I enjoy Chinese cinema. Not the old Communist propaganda films, but the new wave of films made since Mao at long last died and his dead hand was at least partly lifted from the country's throat. Two such films made a particularly great impression on me in the couple of years before I wrote *Thunder From the Silent Zone*. They were Chen Kaige's *The Emperor and the Assassin* and Zhang Yimou's *Hero*. In chapter 8 of the book, I systematically compare and contrast the two films. The first bears comparison with Shakespearean drama or the great films of David Lean and Akira Kurosawa. It is a powerful study, for a contemporary audience, of the effort to assassinate the tyrant of Ch'in in the 3rd century BCE, as he sought, by ruthless use of force, to bring all kingdoms in the Chinese world under his sway. The second film, *Hero*, is superficially an effort to outdo *Crouching Tiger, Hidden Dragon*, as a martial arts extravaganza. It is best understood, however, as a disturbing propaganda film comparable to Leni Riefenstahl's notorious work of art of 1934, *Triumph of the Will*.

Like *The Emperor and the Assassin*, *Hero* is about an effort to assassinate the tyrant of Ch'in, the founding emperor of China. The difference is that, in *Hero*, the Emperor is presented as a figure of overpowering courage, insight, vision and dignity, before whom, in the end, the assassin bows. There is no doubt that, in both films, the Emperor stands for the Communist Party. There are good reasons to believe that Zhang Yimou, director of the much more biting film *Shanghai Triad*, in which the Party in the late 1990s is likened, implicitly, to the brutal and corrupt Green Gang in pre-revolutionary Shanghai, has struck a deal with the Party, or embraced a new style of quasi-fascist

nationalism, in Hero. By contrast, Chen Kaige, in The Emperor and the Assassin, has the violence and tyranny of the Emperor directly challenged by a series of figures, not least among them his sweet heart and mistress Lady Zhao, played by Gong Li.

The contrast between these two films, both Chinese, takes us to the heart of the debate about what China is and what it might yet become. It is not a new debate, it did not begin with these films, or in the ill-fated Beijing spring of 1989, or with the ill-fated Democracy Wall movement of 1978-79, or the ill-fated Hundred Flowers period of 1957. It goes back to the late nineteenth century, when Yan Fu translated the works of John Stuart Mill, Montesquieu and Herbert Spencer into Chinese and reformers at the Manchu court called for political reform and a constitutional monarchy. This is the rethinking inside China itself that no responsible outsider has any excuse for remaining ignorant of and no sound reason for remaining aloof from. It is in this cause that Wei Jingsheng was sent to prison. It is in this cause that Hu Yaobang was sacked as nominal leader of China. It is in this cause that Zhao Ziyang was forced to resign as nominal leader of China. It is in this cause that Fang Lizhi was forced into exile. It is this cause that recent defectors to Australia have renounced their allegiance to the Chinese Communist dictatorship.

What cause? The cause of bringing into being what I have called scenario one: the mutation of the polity in China into a democratic form, with more soundly based institutions than the Communist dictatorship has ever been able to achieve. Thunder From the Silent Zone is written in that cause. That is why seven of its chapters are devoted to examining aspects of Chinese culture and questions to do with human rights and democratization. That is why it is dedicated to the tens of millions of victims of communism in China: millions who perished in civil war atrocities and terror campaigns, millions who perished in concentration and so-called 're-education' camps, China's *Laogai*, millions who perished during the Cultural Revolution, the 30 million who starved to death as a direct consequence of the Party's irrational and irresponsible 'Great Leap Forward' of 1959-61. That is why it is called Thunder From the Silent Zone, a phrase borrowed from the great 20th century Chinese novelist and poet Lu Xun and alluding to the anguish of those suffering and silenced in a repressive society.

Now, some may recoil from this litany of criticisms of the Chinese Communist Party and ask, but is there not much truth in Madame Fu's claim that China has moved on? Has it not compensated for the victims at least by raising the living standards of hundreds of millions since Mao died? Is it not now a force for stability and progress, the guarantor of reform and social cohesion in China? There is no simple, satisfying answer to this question, since so many considerations are in the balance. What can be said and should be said, however, is that living standards in China have not risen because of the Communist Party. They have risen just to the extent that the Communist Party has allowed market forces to overturn communist economics. It has left much of the economy, however, in a half way house and vast inequalities, massive inefficiencies and potentially disastrous institutional fragilities have resulted. At the same time, the Party has failed to replace communist politics with a healthy and legitimate form of democratic politics. In consequence, frustration, resentment, confusion and cynicism are building up in Chinese society, in a manner every bit as volcanic as the rumbles Lu Xun detected seventy years ago.

Not the least of the rumbles that we hear every so often is the rumble of thunder that rolls across the Taiwan Strait. So significant is the question of the fate of Taiwan for the future of China and the whole Asia Pacific world that I have devoted four chapters of the book to it. You will not be particularly surprised, I trust, if I tell you that I call for and assay a quite fundamental rethinking of how this matter should be understood and the dangerous impasse at which it now stands might be transformed. Once again, however, I do *not* engage in *prediction*. I simply point out that there are assumptions at work which tend not to be critically examined and which, if revised, could bring into

being a future that is waiting to happen - a free Taiwan securely within the orbit of a free China and the abatement of strategic anxieties around the Pacific Rim.

The brilliant young Chinese scholar, working in the United States, Dali Yang, is the only author who gets two epigraphs in *Thunder From the Silent Zone*. Each heads one of the chapters in the Taiwan part of the book, although Dali does not himself write about the problem of Taiwan. In his excellent study of the Great Leap Forward, Calamity and Reform in China, he drew on cognitive science to try to explain the blind spots and biases behind the errors of judgment that human beings make and how setbacks and impasses can compel them to learn. Here are the two short passages I use as epigraphs. At the head of a chapter called 'Conceiving a Paradigm Shift', I quote him as writing, "Since beliefs about opportunities are crucial to human choice, a better understanding of belief formation and belief change is therefore vital to the social sciences". At the head of a chapter called 'Can Rationality Save Us?', I quote him as writing, "Incomplete rationality coupled with environmental constraints leads to inefficiencies in history, some of which we call tragedies."

It would be a tragedy of historic proportions if there was a Sino-American war over Taiwan. It would be a tragedy, also, if Taiwan was abandoned by the United States and compelled by one means or another to bow to the will of the Communist government in China. There is another possibility: that the evolution of Taiwan towards a separate national identity and democratic self-government will finally be acknowledged graciously by a China that is itself evolving toward a different kind of polity. Let me repeat, I am not predicting this outcome. I do, however, articulate the possibility and the rational case for it at some length. By contrast with what I dub the 'Hong Kong gambit' - external powers cutting a deal with China which pushes Taiwan back under the aegis of the People's Republic of China - I describe what I call 'the Singapore gambit' and 'the Australian outcome'. Some forty years ago, Singapore was detached from the Malaysian Federation, in order to solve a problem of communal tensions. Just over a hundred years ago, the colonies in Australia were granted independence as a commonwealth without any need to wrest such independence from the British crown. The outcome has been a century of extraordinary, sportive amity and peaceful commerce.

*Thunder From the Silent Zone* does argue for Taiwan to be granted its *de jure* independence by China, just as it does argue for democratization in China itself. For both these reasons, it is virtually certain that the book will be banned in China. That is, of course, exactly why the people of Taiwan do not want to be part of the dominion ruled by the Chinese Communist Party. It is exactly why there are so many democratic dissidents in China and or in exile from China. It is why there is a fundamental challenge for Australia in working out its relationship with China in the years ahead. That challenge is often cast as simply one of cross-cultural communication, but it isn't. Certainly, there are issues of cross-cultural communication that need to be addressed, but the fundamental challenge is *not* cultural, because those raised in a Chinese culture and even within the Chinese Communist Party itself are demonstrably able to understand arguments about science and democratic principles every bit as clearly as anyone in the West. Just ask Fang Lizhi or Wei Jingsheng, or read their writings.

There are many very good reasons for Australians to seek to understand and enjoy the roots of Chinese sensibility and art and the achievements of Chinese culture. These are not, however, where the challenge really lies for us. It lies in inventing ways to encourage scenario one, mutation, in the Chinese polity, while hedging deftly and intelligently against the possibilities of scenarios two, three or four emerging. There is a power of work to do in this regard and what cautious diplomats like to call 'megaphone diplomacy' is not, I concur with them, necessarily the most tactful or fruitful way to do such work. Rather, such work is for the most part for us to do, work on our own thinking and strategizing, on our perceptions and priorities. But, as far as possible, it will consist, also, in working *with* the Chinese, in a sustained dialogue about what is possible and about practical means for

bringing better possibilities into being. I see wide scope for Australia and Australians to engage in such dialogue and I would like to think that Thunder From the Silent Zone will, at the end of the day, open rather than narrow the scope for it.

## **Nautilus invites your response**

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