

ist. Russia is unlikely to be treated as an enemy. However, the probability of a military confrontation with the Japanese or the Americans is limited. It would be difficult for the Chinese to engage either country aggressively. The Chinese have a weak navy that could not survive a confrontation with the United States. Therefore, invading Taiwan might be tempting in theory but is not likely to happen. China does not have the naval power to force its way across the Taiwan Strait, and certainly not the ability to protect convoys shuttling supplies to Taiwanese battlefields. China is not going to develop a naval capacity that can challenge the United States within a decade. It takes a long time to build a navy.

China, then, has three possible future paths. In the first, it continues to grow at astronomical rates indefinitely. No country has ever done that, and China is not likely to be an exception. The extraordinary growth of the past thirty years has created huge imbalances and inefficiencies in China's economy that will have to be corrected. At some point China will have to go through the kind of wrenching readjustment that the rest of Asia already has undergone.

A second possible path is the recentralization of China, where the conflicting interests that will emerge and compete following an economic slowdown are controlled by a strong central government that imposes order and restricts the regions' room to maneuver. That scenario is more probable than the first, but the fact that the apparatus of the central government is filled with people whose own interests oppose centralization would make this difficult to pull off. The government can't necessarily rely on its own people to enforce the rules. Nationalism is the only tool they have to hold things together.

A third possibility is that under the stress of an economic downturn, China fragments along traditional regional lines, while the central government weakens and becomes less powerful. Traditionally, this is a more plausible scenario in China—and one that will benefit the wealthier classes as well as foreign investors. It will leave China in the position it was in prior to Mao, with regional competition and perhaps even conflict and a central government struggling to maintain control. If we accept the fact that China's

economy will have to undergo a readjustment at some point, and that this will generate serious tension, as it would in any country, then this third outcome fits most closely with reality and with Chinese history.

#### A JAPANESE VARIANT

The advanced industrial world will be experiencing a contraction of population in the 2010s, and labor will be at a premium. For some countries, due to entrenched cultural values, immigration either is not an option or is at least a very difficult one. Japan, for example, is extremely averse to immigration, yet it must find a source of labor that is under its control and that can be taxed to support older workers. Most workers with a choice of where to go will not choose Japan, as it is fairly inhospitable to foreigners who want to become citizens. Koreans in Japan are not citizens of Japan. Even if they have lived all their lives and worked in Japan, they are issued papers by the Japanese police calling them "Korean" (neither north nor south) and are unable to become Japanese citizens.

Consider, however, that China is a vast pool of relatively low-cost labor. If the Chinese won't come to Japan, Japan may come to China, as it has before. Using Chinese labor in enterprises created by the Japanese but located in China will be an alternative to immigration—and it will not only be Japan doing this.

Remember that Beijing will be trying simultaneously to tighten its grip on the country. Traditionally, when the central government is clamping down on China, it is prepared to accept lower economic growth. While a large-scale, concentrated Japanese presence sucking up Chinese labor might make a great deal of economic sense for local entrepreneurs and governments and even for Beijing, it makes little political sense. It would cut directly against Beijing's political interests. But Japan will not want the Chinese government diverting money to its own ends. That would defeat the entire purpose of the exercise.

By approximately 2020, Japan will have Chinese allies in the fight to bring in Japanese investment on terms favorable to Japan. Coastal regions will be competing to attract Japanese investment and resisting Beijing's pres-