

Underbalancing and State Policies
How China Interacts with its East Asian Neighbors

by

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ABSTRACT

East Asia in the aftermath of the Cold War might provide the most favorable case for realist theory due to historical rivalries, territorial disputes, economic competition, great power politics and deep-rooted realist beliefs among politicians in the region. Yet the fundamental realist prediction of balance of power in the region has not materialized. Neither internal nor external balancing in their original senses is explicitly present. This poses a serious challenge to realism and more broadly, western international relations theories for understanding regional dynamics. Several explanations have been put forward in previous research, such as a total rejection of the applicability of realism for explaining East Asian politics, modifying realism by adding new variables, and focusing on domestic variables. Using a neoclassical realist term, underbalancing, this dissertation goes beyond neoclassical realist theory of underbalancing by reintroducing the distinction between external and internal balancing, which has direct implications for the resources needed for a balancing policy and external reactions to balancing policy. In particular, this approach emphasizes the effect of interaction between states on underbalancing. By doing so, it also highlights what is omitted by realism, namely, the agency of the targeted state at risk of being balanced. In other words, the policy of the state that is aware of its risk of being balanced could draw upon foreign policy tools it possesses to neutralize the balancing efforts from others. This notion of state policies influencing the outcome of balance of power is tested with post-Cold War East Asian politics. The cases included China-Japan and China-ASEAN strategic interactions after the Cold War. Based on materials from public media outlets, official documents and recently leaked U.S.

diplomatic cables, this dissertation argues that China's policies towards neighboring states- policies expressed variously through cultural, diplomatic, economic and security initiatives- are indispensable to explain the fact of underbalancing in the region.

To my family—for their love and support

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CHAPTER 1

INTRODUCTION

East Asia witnessed several economic miracles after World War II, and the latest one features China. Having beaten expectations on numerous occasions, China eventually surpassed Japan to be the world's second largest economy in the second quarter of 2010. What is significant about this moment is that after a century-long effort, China eventually resumed its status as East Asia's largest economic power. If GDP is compared in terms of purchasing power parity, China became second in the world even earlier, as early as 2001¹. A number of economists further predict that the U.S. will fall behind China in terms of GDP measured by purchasing power parity as early as 2016². The impressive economic development helps provide necessary resources for military modernization. Following closely the pace of economic growth³, the military spending, according to the Stockholm International Peace Research Institute (SIPRI) Yearbook 2012, is only second to the U.S. In combination with China's vast territory, population and natural resources⁴, China has reemerged as the juggernaut of East Asia.

¹ The World Bank, *World Development Indicators 2011* (Washington D.C.: World Bank, 2011)

² International Monetary Fund, *World Economic Outlook 2011* (Washington, DC: International Monetary Fund, 2011)

³ SIPRI reports that, China's "military spending increased by 189 per cent in real terms between 2001 and 2010, an average annual increase of 12.5 per cent." Accessed October 5, 2012. <http://www.sipriyearbook.org/view/9780199695522/sipri-9780199695522-div1-36.xml>.

⁴ At the per capita level, China is truly very poor in almost all kinds of resources. But in aggregate terms, China can be regarded as rich in resources. In the power calculation formula of realists, the resource total matters more, since what determines how much power a state can utilize is not an average people's possession, but how much the country has.

1.1 Balance of Power or Threat

Balance of power might be the oldest and most controversial concept in international relations, traceable to Thucydides and his *History of the Peloponnesian War*. It is difficult to find an IR theorist who hasn't discussed or used the concept of balance. However, like many other key concepts in humanities and social sciences, the understanding of balance of power is contested. Traditionally, it has meant that a state through domestic or international effort, that is, internal or external balancing respectively, strives to match the power of other states to protect its security. The outcome of balance of power is the equilibrium of power between states. Moreover, to balance against another state is for the long-term interest of a state⁵, since it is preparing for the eventuality of future conflict. If the states are already involved in conflict, then it is no longer a case of balancing, but rather, war. From this perspective, balancing is always looking into the future. It is a calculated reaction to the possibility of a worrisome future. As a result, the trajectory of power change might be even more important than the current possession of power in determining balancing behavior.

Nowadays, scholars add to the traditional understanding of balance some new typologies, such as soft and asymmetric balance⁶. These categories do capture some of the phenomena which are outside the traditional understanding of balance. However, this expansion of the concept of balance also brings confusion for theory building. If even

⁵ Randall Schweller, *Unanswered Threats: Political Constraints on the Balance of Power*, (Princeton: Princeton University Press, 2006)

⁶ T.V. Paul, "Soft Balancing in the Age of Us Primacy." *International Security* 30 (2005): 46-71.

cooperation can be some kind of balancing, has the meaning become so broad as to be useless? Encompassing too many contradictory or irrelevant phenomena would make the theory's generalization an impossible task. Thus, in the discussion that follows, I will limit the concept to internal and external balancing, either by military buildup domestically or by alliance formation, respectively.

According to the tenet of realism, material power is the determinative factor that structures international relations. Though some neorealists, notably Waltz, insist that they do not presume rationality in state behavior and thus cannot predict the foreign policy of a particular state and can only consider the systemic outcome, other realists insist that neorealism has implications for state behavior and can be a theory of foreign policy⁷. One of Waltzian neorealism's most important predictions is that the system has the tendency to balance power: if states are most concerned about their own survival, and the anarchy of the international system persists, a balance of power would eventually emerge. This was also the prediction neorealists made after the end of the Cold War⁸, namely, the U.S. would soon meet its balancers. The same logic was applied to East Asia, which Friedberg⁹ claimed was "ripe for rivalry", as no mechanisms we knew by then could stop the emergence of hostility. Being the largest power in the region, China should invite balancing behavior from its neighbors, if the neorealist logic is true. Hence, the

⁷ Colin Elman. "Horses for Courses: Why not Neorealist Theories of Foreign Policy?" *Security Studies* 6 (1996): 7-53.

⁸ Kenneth Waltz, "The Emerging Structure of International Politics." *International Security* 18 (1993): 44-79; Kenneth Waltz, "Structural Realism after the Cold War." *International Security* 25 (2000): 5-41; Christopher Layne, "The Unipolar Illusion: Why New Great Powers Will Rise." *International Security* 17 (1993): 5-51.

⁹ Aaron L. Friedberg, "Ripe for Rivalry: Prospects for Peace in a Multipolar Asia." *International Security* 18 (1993): 5-33.

international system of East Asia should end up with a balance of power with smaller states balancing against China, either internally or externally, or both.

Such balance of power theory has been criticized from various perspectives. However, even if we accept the most popular modified version of Waltzian theory, namely, Walt's balance of threat theory, one still can find ample reasons for China's surrounding countries to balance against it. In balance of threat theory, instead of relying solely on material power, there are four factors jointly determining balancing behavior, that is, the aggregate strength, the aggressive capacity, intention, and geographical proximity¹⁰. Whether China would invite balancing behavior should be examined in light of these four criteria.

In terms of aggregate strength, China clearly dominates the region. It has the largest population, a vast land with a variety of natural resources, and the world's second largest economy and military spending. It is impossible for China's neighbors to ignore the vast gap in terms of aggregate power¹¹. Geographical proximity is also relevant and straightforward¹².

The controversy might reside in aggressive capacity and intention. China primarily is a continental power, and many of its neighbors are protected by water. China's limited capacity of power projection might be a good reason for not balancing it.

¹⁰ Stephen M. Walt, "Alliance Formation and the Balance of World Power." *International Security* 9 (1985): 3-43.

¹¹ China's foreign minister bluntly called ASEAN states "small countries", but "China is a big country", and "that is just a fact", at a meeting of South-East Asian nations in 2010. "The dragon's new teeth", *The Economist*, April 7th 2012, accessed October 10, 2012. <http://www.economist.com/node/21552193>.

¹² Of course, states differ in distance to China, and some argue that this is the factor that determines the strategic choice of China's neighbors, see Robert Ross. "Balance of Power Politics and the Rise of China: Accommodation and Balancing in East Asia." *Security Studies* 15 (2006): 355-95.

As suggested by many authors, China's threat is potential rather than real. As a result, balancing might be an overreaction. However, it must be kept in mind that balancing is not just for current threats; more importantly, it is for the unpredictable future. To a large extent, it is undertaken to prepare for the future and to account for possible conflict¹³. So if we take into consideration the trajectory of China's military development, such as, the rapid modernization of its military, particularly the PLA Navy, and the double digit increases in defense spending for twenty consecutive years, with no end in sight, then states as rational actors¹⁴ must be expected to treat China's aggressive capacity seriously. Added to the calculation could be that China already has the capability for a regional conflict in some areas, its missile technology has been established, and aircraft carriers are planned for deployment in the next decade¹⁵. Some decades ago, China, despite much less power, launched attacks on some of its neighbors and aroused balancing behavior, though the balancing at that time could be attributed to China's aggressive intentions.

Finally, China's intention is under scrutiny. Needless to say, since the mid-1990s

¹³ Schweller, *Unanswered Threat*.

¹⁴ The assumption of rationality in realism is controversial. Here I accept the rationality assumption, since without it, any theory of state behavior is impossible. Rationality is not necessarily true in reality, but can be a theoretical assumption for theory building and prediction. See Kenneth Waltz, *Theory of International Politics* (New York: McGraw-Hill New York, 1979); Kenneth N Waltz, "Realist Thought and Neorealist Theory." *Journal of International Affairs* 44, no. 1 (1990): 21-37; Robert Keohane, "Realism, Neorealism and the Study of World Politics." *Neorealism and its Critics* (1986): 1-26; Colin Elman and Miriam Elman. "Lakatos and Neorealism: A Reply to Vasquez." *American Political Science Review* 91 (1997): 923-26; Jeffrey Legro, and Andrew Moravcsik, "Is Anybody Still a Realist?" *International Security* 24 (1999): 5-55; Peter Feaver, et al. "Brother, Can You Spare a Paradigm?(or Was Anybody Ever a Realist?)." *International Security* 25 (2000): 165-93; Randall Schweller, "The Progressiveness of Neoclassical Realism.", in *Progress in International Relations Theory: Appraising the Field* eds. by Kenneth Waltz, Colin Elman and Miriam Elman, (Cambridge: The MIT Press, 2003): 311-47; John J Mearsheimer, "Reckless States and Realism." *International Relations* 23 (2009): 241-56.

¹⁵ The current one, "Liaoning", which was commissioned to the navy in 2012, does not have real combat capacity but serves more as a training and research platform. CNN wire staff, "China lands first jet on aircraft carrier", November 27, 2012, accessed March 4, 2013.

<http://edition.cnn.com/2012/11/25/world/asia/china-aircraft-carrier-landing>.

the Chinese version of “Good Neighbor Policy” has earned it some credit and a better image. As Shambaugh¹⁶ suggests, China is engaging East Asia. So they might reciprocate with goodwill towards China. As a result of these exchanges of good will, balancing might not be necessary. However, China’s intention at best can be labeled as uncertain. The memory of military conflict is not so distant between China and some of its neighbors. China’s benign behavior is difficult to distinguish: “Is it a wolf in sheep’s clothes?”¹⁷ Meanwhile, the domestic politics of China is far from transparent, which renders its intentions obscure. Also, there are reasons to worry about its potential for aggressiveness. For example, Chinese nationalism, stirred up by the Chinese Communist Party, might prompt China to act aggressively against its neighbors, as illustrated by its tensions with countries over territorial disputes¹⁸, especially over Diaoyu/Senkaku Island with Japan and South China Sea islands with Vietnam and Philippines. Therefore, China’s intentions are murky. Given the low mutual trust in the region, a rational state should engage in balancing behavior.

1.2 Is it Underbalancing?

As discussed before, by balancing, I mean to describe efforts to maintain a certain

¹⁶ David Shambaugh, "China Engages Asia: Reshaping the Regional Order." *International Security* 29 (2005): 64-99.

¹⁷ Gang Lin, "China’s “Good Neighbor” Diplomacy: A Wolf in Sheep’s Clothing?" *Asia Program Special Report* 126 (2005).

¹⁸ Thomas Christensen, "Advantages of an Assertive China-Responding to Beijing's Abrasive Diplomacy." *Foreign Affairs* 90 (2011): 54.

power equilibrium¹⁹ between states. Deriving from it, underbalancing, a concept coined by Schweller²⁰, refers to insufficient effort to maintain the existing power structure between states.

According to balance of power or threat theory, China should be a balance target for its neighboring countries. However, so far there are few signs of balancing against China²¹, and at best we can argue that China's neighbors are underbalancing against China.

First of all, the equilibrium of power is changing fast in favor of China. The gap between GDP and military expenditure significantly expands, as illustrated by the chart. The military spending of China, by 2015, will be more than all other countries in the region combined²². At the same time, the U.S. has largely maintained but has not increased its presence in Asia for the two decades after the end of Cold War, though President Obama's recent proposal, namely his Pivot to Asia strategy²³, might bring significant change in future.

¹⁹It is vaguely defined here, as in many other authors, such as Hans Morgenthau, *Politics among Nations, Revised* (New York: Knoph, 1978).

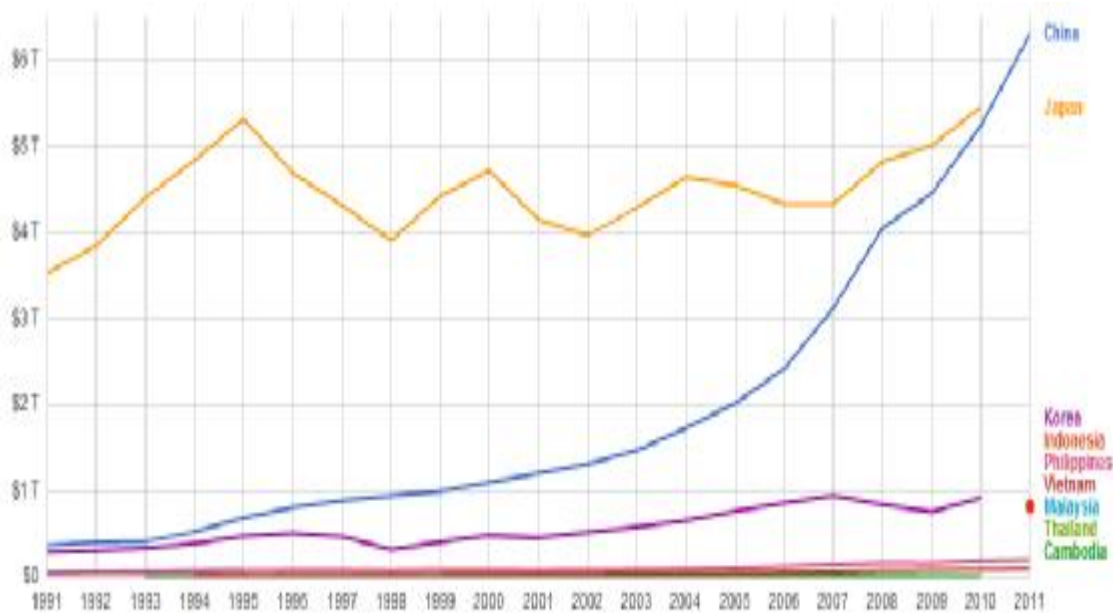
²⁰ Schweller defines underbalancing as "threatened countries have failed to recognize a clear and present danger or, more typically, have simply not reacted to it or, more typically still, have responded in paltry and imprudent ways." See Schweller, *Unanswered Threat*, 24.

²¹ According to one author, it is "an odd thing", see Steve Chan "An Odd Thing Happened on the Way to Balancing: East Asian States' Reactions to China's Rise." *International Studies Review* 12 (2010): 387-412. For a review, also see Alastair Iain Johnston, "What (If Anything) Does East Asia Tell Us about International Relations Theory?" *Annual Review of Political Science* 15 (2012): 53-78.

²² Jeremy Page, "China's Military Spending to Double by 2015 – Report", *The Wall Street Journal*, February 14, 2012, accessed October 10, 2012. <http://blogs.wsj.com/chinarealtime/2012/02/14/chinas-military-spending-to-double-by-2015-report/>.

²³ A more detailed discussion of the Pivot to Asia policy will be provided in the conclusion chapter.

Figure 1.1. GDP Data of East Asian States from 1991-2011



Source: World Bank 2012

This might not be convincing, however, since it is possible that these countries have in fact made efforts to balance against China, but they are insufficient. Then what should follow here is to an evaluation of their efforts in this regard. Neither internal nor external balancing can be said to exist unambiguously. There is no arms race²⁴, as argued by Bitzinger²⁵. States are building up their military power, but it is not an arm race but an arms dynamic, since the weapon acquisitions are not mutually targeted²⁶. Additionally, there is no Asian version of NATO against China, though there might be potential for that. For example, the U.S. bilateral alliance system in Asia could be the basis for a

²⁴ But there may be some competitive arming, especially in navy and air force. See Richard Bitzinger, "A New Arms Race? Explaining Recent Southeast Asian Military Acquisitions." *Contemporary Southeast Asia: A Journal of International and Strategic Affairs* 32 (2010): 50-69.

²⁵ Ibid.

²⁶ There might be other explanations for arm acquisitions, such as national prestige, which is arguably common in small states. See Dana P Eyre, and Mark C Suchman. "Status, Norms, and the Proliferation of Conventional Weapons: An Institutional Theory Approach." In Katzenstein eds, *The Culture of National Security*, (New York: Columbia University Press, 1996): 79-113.

regional balancing alliance system, and the efforts of states to modernize their military could be viewed as potentially targeting China. Yet analysts generally agree that East Asian countries are either accommodating, soft balancing, hedging²⁷ or engaging rather than balancing China²⁸.

Additional indirect evidence that China’s neighbors are not balancing against it is those societies’ perception of China. If a country is balancing against another, it is highly likely that the majority of people in that country would regard the other party as its major security threat and thus hold strong negative views about it. The reason is balancing requires mobilization of massive social resources, and in order to do so the state has to successfully use whatever means it has to persuade people about the security threat to justify its policy. For example, during the Cold War, people in the West would clearly identify the Soviet Union as the enemy and largest threat. However, in China’s neighboring countries, for example, according to recent surveys, 40% of Koreans see China as the biggest threat²⁹. BBC’s most recent international survey of 2012 also indicates a split on perceptions of China.

Table 1.1. Perceptions of China

Country	Percentage of Mainly Positive	Percentage of Mainly Negative
Australia	61%	29%
Indonesia	51%	26%
South Korea	33%	64%
India	30%	31%
Japan	10%	50%

²⁷ Maintaining a low-intensity of balancing and cooperation at the same time is called hedging.

²⁸ It could be called soft balancing, too. However, soft balancing could be regarded as underbalancing by definition.

²⁹ Yonhap. “40% of Koreans see China as biggest threat: survey”, *The Korean Times*, October 04, 2012, accessed October 10, 2012. http://www.koreatimes.co.kr/www/news/nation/2012/10/113_121446.html.

Source: BBC World Service Poll, 2012³⁰

Although the number of people having a negative view of China seems large in some states, it is far from an overwhelming majority in the society. The average ratio between positive and negative in all 22 countries survey as 50% to 50%.

Summarizing with a neoclassical realist term, they are “underbalancing” against China. China’s fast buildup of power has not pushed the region into a security dilemma. In recent years, there are increasing bilateral military relations between China’s neighbors, including Australia, Japan, Vietnam, Philippines, etc. with the United States. However, enhancing bilateral military relations can hardly qualify as a military alliance against China.

Then, why is there little balancing against China by neighboring countries after the Cold War, contradicting the pessimistic prediction of realism? How can theorists account for such failure? Further, why do different states react differently to China, some balancing more than others? What factors condition their strategies? Still further, given that China should know clearly the risk of being a rising power, how would it respond to their strategies? And why does China implement varying policies towards these countries, for example, much tougher toward Japan than ASEAN prior to 2010? Historical issues might be one reason. However, between China and Japan, historical factors are constant, while bilateral relations are in flux. So we must search for other additional factors. Can realism account for all these questions? Further, can mechanisms for preventing

³⁰ BBC World Service Poll. “Views of Europe Slide Sharply in Global Poll, While Views of China Improve”, Accessed February 13, 2012.
http://www.globescan.com/images/images/pressreleases/bbc2012_country_ratings/2012_bbc_country%20rating%20final%20080512.pdf.

balancing behavior persist into the future? In other words, will one see balance against China in the region soon?

There have been recent changes in East Asian politics: Tension seems to accumulate and uncertainties rise. The economic recession started from 2008 has created great uncertainty in the global economy, as well as in politics. Will the economic recession turn into a crisis in international relations? East Asian countries seem to have survived this recession relatively well so far, but the relations between them are experiencing noticeable changes. South Korea has moved closer to the U.S. as a direct outcome of North Korea's provocative actions. Relations between Japan and China have continued to be sour and are getting worse, and the U.S.-Japan security relations have tightened. Taiwan's pro-mainland president Ma Ying-jeou, continues to purchase arms from the U.S. Japan has been building up closer defense relations with Southeast Asia, particularly with Vietnam and the Philippines. India actively seeks to join the game. Most importantly, the U.S. has begun its exit from the Middle East and Southwest Asia, and the Obama administration has emphasized a return to East Asia. China's regime has been in the process of leadership transition during these years, and the implications for its foreign policy are hard to predict. However, its inclination to become more belligerent has been noticed³¹. All these contribute to the considerable uncertainty in East Asia.

Answering the questions asked above might shed some light on the debate between different theoretical frameworks that seek to explain East Asian international politics, as demonstrated more clearly in this dissertation.

³¹ Christensen, "Advantages of an Assertive China".

In my dissertation, I will tackle the questions mentioned above. In the second chapter, after a literature review, I will provide a theory and generate the hypotheses. Chapter three will focus on China's strategy and policy tools for anti-balancing. The subsequent chapters will focus on how China interacts with Japan and ASEAN from the perspective laid out in the earlier chapters. In the final chapter, against the background of the future of the China-U.S. relationship, I will discuss the future of East Asia relations.

CHAPTER 2

THEORY AND HYPOTHESES

In the past two decades, China has been gaining strength rapidly in almost all measures of power. However, it does not so far elicit balancing behavior in the region. There is neither arms buildup nor security alliance against China. There might be potentials or implicit balancing against China, which is part of the hedging strategy commonly said to be adopted by countries in East Asia. However, this is not the outcome expected by realists' balance of power theory. The theory argues that states would balance against power measured by material factors, and in East Asia, China should be the target.

In a modified version of this theory, the balance of threat theory, in which Walt includes four variables to predict balancing behavior, namely, the aggregate strength, the aggressive capacity, intention, and geographical proximity¹, China is still qualified as a target to be balanced against. So my question is why China's relatively weaker neighbors underbalance it, using a term from neoclassical realism? Further, why do different states react differently to China, some balancing more than others? What factors condition their strategies? Can they persist and peace in the region be expected? Moreover, given that China should know clearly the risk of being a rising power, how would it respond to their strategies? And why does China implement varying policies towards these countries?

¹ Stephen Walt, "Alliance Formation and the Balance of World Power." *International Security* 9 (1985): 3-43.

2.1. Literature Review

Deviation from the realist prediction has caused different theorists to reconsider balance of power theory and realism in the explanation of regional relations.

The most radical explanation comes from David Kang², who claims that western IR theories simply “get things wrong”, because these theories, rooted in Western history, cannot apply to East Asian countries which have their own history and culture. The rise of China does not arouse anxiety in its neighbors, but rather historically, a strong China has meant regional stability. Chaos came when China’s power was at its low points. For this reason, peripheral states are willing to bandwagon with China and accept its dominant status as given³. The future of East Asia will be its past, that is, a hierarchical order with China on top.

Kang’s cultural historicism encounters sharp criticisms from Acharya⁴, who argues that the future of Asia will not be its past. Acharya first points out that at least India is balancing against China, and the idea of bandwagoning with China is questionable in the sense that no existing concept of bandwagoning can apply to East Asia politics. Worry over China’s rise does exist in China’s neighboring countries. He

² David Kang, "Getting Asia Wrong: The Need for New Analytical Frameworks." *International Security* 27 (2003): 57-85; David Kang, *China Rising: Peace, Power, and Order in East Asia*(New York: Columbia University Press, 2007)

³ Kang later updates his argument by admitting that China’s East Asia neighbors are not all bandwagoning with China in all areas. However, he insists that these countries are willing to accept China’s dominant status for reasons of interest and identity. (see Kang, *China Rising*) A strong China means no other country will try to compete for leader’s status so it is preferable. This is not convincing at all, as the U.S. provide an alternative for preventing competition for regional leadership. A rising China, contradictory to Kang’s claim, will actually bring back the destabilizing regional competition.

⁴ Amitav Acharya, "Will Asia's Past Be Its Future?" *International Security* 28 (2004): 149-64.

further questions the groundless idea of the hierarchical order, and argues that the historical and contemporary record of the region cannot support Kang's theory. In history, China's relationship with its neighbors was not always peaceful as suggested by Kang, and China's cultural supremacy in the region was questionable, especially in Southeast Asia except for Vietnam. Moreover, China no longer enjoys the cultural supremacy that it had in the past. What is more, Acharya finds countries fear rather than welcome the idea of hierarchical order. According to him, these countries are actually engaging China. For Acharya, the real reason for no explicit balancing and low rivalry is not the culture, but "shared regional norms, rising economic interdependence and growing international linkages"⁵.

The strategic thinking of the state is another point of departure for theory. Referring to the strategic thinking of small powers of ASEAN, Evelyn Goh⁶ puts forward her theory of "onmi-enmeshment" and "regional complex balance". Goh argues that the prevailing theories in IR (neorealism and liberal institutionalism) cannot capture the characteristics of contemporary stability as smaller states do not ally against the major power or the source of threat (that is, no external balance), and regional institutions do not serve as the main channel for resolving most of the conflicts. ASEAN states try to avoid siding with the US or China against the other, preferring to employ two strategies, that is, building regional institutions that involve all the major players and creating a complex balance of influence to maintain stability and facilitate the transition to a certain

⁵ Acharya, "Will Asia's Past Be Its Future?" , 150

⁶ Evelyn Goh, "Hierarchy and the Role of the United States in the East Asian Security Order." *International Relations of the Asia-Pacific* 8 (2008): 353-77.

type of regional order. These are also the two pathways to order argued by Goh: the omni-enmeshment and the regional complex balance.

Omni-enmeshment of major powers, defined by Goh, is “the process to engaging with a state so as to draw it into deep involvement into international or regional society, enveloping it in a web of sustained exchanges and relationships, with the long-term aim of integration⁷”. Through economic and political means, bilateral efforts, and multiple regional institutions these states network with all the major powers in the region, not just China and the U.S, but also Japan, India, South Korea and so on. To get all the major powers a stake in the region would provide incentives for them to maintain regional stability. Also, by these same means, they can tie together the “elephants” and thus reduce the possibility of conflict among major powers.

The regional complex balance of Southeast Asia states is not the same as the balance commonly used by Realism. In this case, the small powers do not flock to the weaker side (or the opposite side of the source of biggest threat) to balance against the major power, U.S. or China. Also they do not militarily target China openly. Rather, they use an indirect military balancing strategy that relies upon sustaining US dominance in the region, thereby maintaining the existing balance or preponderance of power in favor of the US and against China. They also manipulate triangle politics to use bilateral relations with one major power as leverage to improve relation with another.

⁷ Ibid, 120-1.

Beyond the military balance, “regional complex balancing policies encompass multiple balancing media and targets”. In order to stabilize the regional order, three processes are involved to achieve complex balance: diversification, institutionalization and normalization. Diversification is to forge interdependence with multiple major powers so as to reduce overdependence on any one major power. Institutionalization means mediating the major power competition by creating an institutional framework to contain the major power by norms and regional interaction. Normalization brings balance of influence into day-to-day diplomatic practices. Through these, ASEAN states pursue a hierarchical order with the U.S. and China on top in the region, similar to Kang.

Another author, Kai He⁸ also notices the failure of realism. Fast increasing economic interdependence in the region is the variable that invalidates the traditional concept of balancing. He argues that as a result of the distribution of power and economic interdependence in the region, countries in the region have been playing the strategy he called “institutional balancing”, that is, “countering pressures or threats through initiating, utilizing, and dominating multilateral institutions⁹”. Essentially, the institutional balancing is one kind of soft balancing, which is underbalancing.

Rejecting the neoliberal institutionalist and constructivist explanations, Robert Ross¹⁰ provides a modified version of realism. He saves realism by putting all other East

⁸ Kai He, "Institutional Balancing and International Relations Theory: Economic Interdependence and Balance of Power Strategies in Southeast Asia." *European Journal of International Relations* 14 (2008): 489-518.

⁹ Ibid, 511.

¹⁰ Robert Ross, "Balance of Power Politics and the Rise of China: Accommodation and Balancing in East Asia." *Security Studies* 15 (2006): 355-95.

Asian countries except China into a different category that he terms “secondary power”, which, by his definition, denotes countries that cannot provide security on their own against any possible rivals. For example, even though Japan is a great power in terms of economy, it cannot confront either China or the U.S. on its own, so it is still categorized as a secondary power. Secondary powers under the threat of a rising power, according to Ross, do not choose to balance, but to accommodate. Reactions by its neighboring states to China as a rising power are uneven, because China’s capacity to project power is limited. The uneven distribution of this power in the immediate vicinity determines variation in peripheral states’ reactions to China¹¹. Where China’s power has risen relative to the United States, the more accommodating other states would be. Otherwise, states would enhance their relationship with the U.S., playing more the external balancing game. These include South Korea and Taiwan, where China gains power relatively to the U.S. Thus they accommodate China, while in other areas of East Asia, countries largely do not accommodate China. Ross’s argument is also a direct refutation of those that are culture or history based as well as economic dependence arguments.

Another group of writers focus on domestic politics as the reason for not balancing. John Fei¹² compares realism to a domestic grand strategy explanation for various reactions of East Asian countries towards China. His theory combines liberalism and constructivism, emphasizing the formation of state policy preference from domestic institutional structures and from values and ideas of elites. He then identifies two ideal

¹¹ Ibid., 364

¹² John Fei, "Beyond Rivalry and Camaraderie: Explaining Varying Asian Responses to China." Dissertation, Rand Graduate School, 2011.

types of regime in the region, that is, an “Asian developmental state” and “laissez faire state”. An Asian developmental state is willing to sacrifice military/security interest for economic interest, so that states following this strategy would be more likely to accommodate China. By contrast, the laissez faire state treats military security and economic interest separately and does not raise the economic issue to the level of national security, so it would be tougher towards China. Thus, Fei explains the variance of attitudes towards China. It is not difficult to infer from his argument that underbalancing as a policy is preferred due to domestic grand strategy. Similarly, Cheng-Chwee¹³ attributes the reason to the need for domestic legitimacy when he analyzes Singapore and Malaysia’s reaction to China. They are not concerned about growing Chinese power, but their need for rallying domestic support determines their policy towards China. In all, domestic factors trump other considerations.

Now, with several years of hindsight, some empirical discrepancies in these arguments are not difficult to find. For example, Kang argued that Japan was willing to accept China’s dominant status in the region. Similarly, Ross said that Taiwan was reluctant to buy weapons from the U.S. and that South Korea was drawing closer to China. It turned out that these expectations did not materialize any better than the previous predictions he had criticized. Japan competes with China in many fields and increasingly views China as a threat. Taiwan, even under a more pro- mainland President Ma Ying-jeou, continued large purchases of weapons from the U.S. Moreover, the

¹³ Kuik Cheng-Chwee, "The Essence of Hedging: Malaysia and Singapore's Response to a Rising China." *Contemporary Southeast Asia: A Journal of International and Strategic Affairs* 30 (2008): 159-85.

conservative leader Lee Myung-bak of South Korea swung back to the U.S. in security policy. South Korea also reached a free trade agreement with the U.S. in 2012 prior to its deal with China, even though China is already its largest trade partner accounting for 24.1% of its total export¹⁴ in 2011.

In addition to empirical inadequacies, these explanations are not without theoretical problems. Even if Kang's criticism of realism is true, how can he arrive at the conclusion that western IR cannot apply to East Asian cases? Besides realism, there are neoliberal institutionalism, and constructivism, to name a few. The failure of realism does not equate to the complete incompetency of Western IR¹⁵. Moreover, his theory cannot account for intra-region variation among states and intra-state variation across time. This problem also exists in Acharya, Goh and He's explanation. Their arguments tend to emphasize the similarities across the region but fail to account for the differences between states. A further question would be how many of these countries share those similar strategies and thoughts identified by them. Moreover, for Acharya's argument, the notorious "warm economy and cool politics" phenomenon between China and Japan illustrates the political limitations of economic interdependence, while international norms are limited by inter-state conflict on values, at least for the foreseeable future. Both Goh and He have difficulties in explaining specific countries' response to China's rising

¹⁴ Zheng Lifei and EunKyung Seo, "China, South Korea Start Talks on Free-Trade Pact." May 2, 2012, *Bloomberg News*, accessed February 3, 2013. <http://www.bloomberg.com/news/2012-05-02/china-south-korea-start-talks-on-free-trade-pact.html>.

¹⁵ Kang himself is aware of this problem, but he simply claims that the criticisms on realism can be applied to other western IR schools without showing how. See Kang, "Getting Asia Wrong", 59.

power, though they might identify correctly the general trends in the region, that is, underbalancing is the dominant feature of the region.

Ross's realism is also insufficient¹⁶ when he argues that the secondary state would prefer bandwagoning to balancing. As long as the state is rational, it would consider every possible means to seek security. Hence, it is hard to prioritize one policy option above another. Though balancing is risky and might be beyond the capacity of a single state, it is possible that secondary states could choose to balance externally a rising threat nearby. Moreover, domestic politics would significantly influence the distribution and perception of the state's power. It is difficult to attribute other states' foreign policies entirely to the uneven distribution of China's power without taking into account domestic variables.

The above theories fail to provide persuasive explanations for state behavior. They either mostly focus on macro-factors but fail to articulate how they influence the daily politics within the state, or, by contrast, they acknowledge a country's specific domestic factors but neglect the macro power structure. Systemic factors still constrain

¹⁶ Chan has a thorough theoretical criticism of Ross' argument, but I think his criticism is somehow off the target. (See Steve Chan, "An Odd Thing Happened on the Way to Balancing: East Asian States' Reactions to China's Rise." *International Studies Review* 12 (2010): 387-412.) For example, he argues that if the realist logic is right, those closer to China's power (thus threat) should be more likely to search for an external balancer like the U.S. He fails to notice that Ross reverses the realist logic by creating a subcategory. Secondary power is not trying to balance but accommodate their great power nearby. Chan also argues that if the balance of power theory is right, then these countries should balance against the U.S., rather than China, as the former is the most powerful country. I think it is fair to exclude the U.S. when considering regional balance of power. The United States does have significant presence in the region, but it is more like an offshore balancer (Elman, Colin. "Extending offensive realism: the Louisiana Purchase and America's rise to regional hegemony." *American political science review* 98 (2004): 563-576.). It is hard to regard the U.S. as part of East Asia. Technically, the U.S. can fully withdraw from the region. Region is a concept saturated with culture and tradition. In this sense, the U.S. is naturally excluded from the region. So Ross is arguably correct to discuss the regional balance of power without having the U.S. as the primary target to be balanced.

the range of policy choices of a state, so it is impossible to focus solely on factors within a state.

A recent variant of realism, neoclassical realism, emphasizes both the systemic and domestic factors of international relations and provides another possibility to explain the underbalancing behavior of East Asian states vis-a-vis China. Building on neorealism and theories of domestic politics of international relations, its hybrid nature gives neoclassical realism unique strength over alternative theories¹⁷.

This strand of realism has developed since the 1990s, apparently in reaction to some inadequacies of neorealism, and most importantly, to its silence with respect to a particular state's behavior. Notable scholars include Jack Snyder, William Wohlforth, Aaron Friedberg, Thomas Christensen, Fareed Zakaria and Randall Schweller.

Retaining the systemic imperative from the anarchic international structure and distribution of power, and stressing the need for domestic politics to understand state behavior, the two most important variables that they introduce into realism are perception and state power.

The perception of power by the elites has important implications for policy making. For example, Wohlforth¹⁸, when explaining the end of the Cold War from the

¹⁷ Gideon Rose, "Neoclassical Realism and Theories of Foreign Policy." *World Politics* 51 (1998): 144-72; Randall Schweller, "The Progressiveness of Neoclassical Realism." *Progress in International Relations Theory: Appraising the Field* (2003): 311-47; Brian Rathbun, "A Rose by Any Other Name: Neoclassical Realism as the Logical and Necessary Extension of Structural Realism." *Security Studies* 17 (2008): 294-321; Steven Lobell, Norrin Ripsman, and Jeffrey Taliaferro. Eds., "Neoclassical Realism, the State, and Foreign Policy." (Cambridge: Cambridge University Press, 2009)

¹⁸William Wohlforth. "Realism and the End of the Cold War." *International Security* 19(1994): 91-129; Randall Schweller, and William C Wohlforth, "Power Test: Evaluating Realism in Response to the End of the Cold War." *Security Studies* 9 (2000): 60-107.

realist perspective, argues that the decision-makers' assessments of power rather than objective measurements of power were what mattered. Any theory of balance of power should specify the mechanism through which capacities are translated into actions. Many factors can influence the perception of relative power, so that realist theory often is indeterminate. For a causal theory, the subjective assessment of power broadly rather than material power alone should be the cause. Yet only a few authors in East Asian politics have employed this concept in their research. By applying the concept of perception and neoclassical realism, Victor Cha¹⁹ argues that relations between Japan and South Korea largely depended on how elites of both countries perceived the U.S. strategy in Asia. When the U.S. appeared to reduce its commitment to the security of Japan and South Korea, they would increase cooperation. By contrast, when they did not fear U.S. abandonment, the relationship between them would turn sour.

State power refers to the capacity of the government to exact and mobilize resources from the society to implement its policy. In Zakaria's²⁰ analysis of American foreign policy in late 19th century, he argues that the reason why the U.S. did not expand despite its extraordinary power was that the state power of the U.S. was too weak compared to the society. Only when presidential power was strengthened did the U.S. expand. States expand when they have power, but the power is not only the aggregate power of a country but more specifically the power of the state. The most relevant theory

¹⁹ Victor Cha "Abandonment, Entrapment, and Neoclassical Realism in Asia: The United States, Japan, and Korea." *International Studies Quarterly* 44 (2002): 261-91.

²⁰ Fareed Zakaria, *From Wealth to Power: The Unusual Origins of America's World Role*. (Princeton: Princeton University Press, 1999)

for my research is Schweller's theory of underbalancing (Schweller 2004, 2006), which is in line with the state power argument.

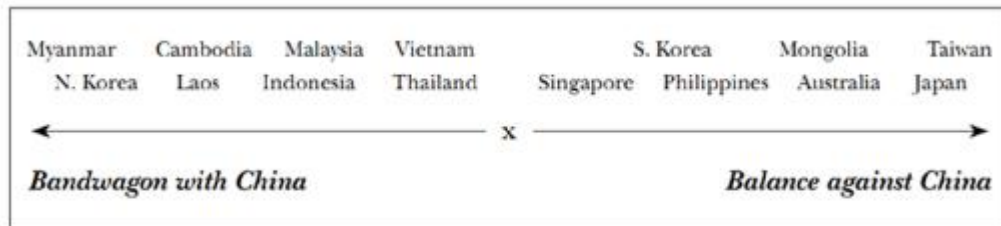
The question for Schweller derives from the historian's criticism of neorealism²¹, that is, why balancing is so rarely observed in history, contradicting the prediction of neorealism that the balance of power would always eventually appear in an international system? The most striking anomaly for Schweller is why pre-WWII European states didn't balance against Nazi Germany but rather accommodated it. Schweller's analysis finds the devil in domestic politics. His analysis identifies four variables, namely, elite consensus, elite cohesion, social cohesion, and regime vulnerability. Balancing is costly and requires that specific conditions in domestic politics are fulfilled. If a state performs poorly in one or more of his four variables, the state might fail to balance against threat. Britain and France before WWII suffered from fragmented elites and fragile government. As a result, they accommodated Nazi Germany, although the systemic imperative required them to balance against Hitler, and eventually failed to stop the outbreak of WWII.

Neoclassical realism is a theory of foreign policy rather than of international relations in Waltz's sense. And the underbalancing behavior of East Asian states can be seen as foreign policy rather than systemic outcome, and can only be understood by combining systemic and domestic factors. So similarly, we might argue that it is the domestic constraints that limit the balancing behavior of East Asian states against China.

²¹ Paul Schroeder, "Historical Reality Vs. Neo-Realist Theory." *International Security* 19 (1994): 108-48.

They might suffer from elite factionalism, weak state power, fragile regimes and/or elite disagreements. Therefore, they are underbalancing against China.

Table 2.1. Spectrum of East Asia's Responses to the Rise of China



Tablet adapted from Jae Ho Chung 2009.

This might be true, as we can see in some East Asian countries, especially Southeast Asian countries: their governments do not perform so well on Schweller's four variables, so this line of argument might have some credibility. However, when we survey all East Asian countries, we can find that the pattern of state behavior does not correlate with state power. According to Jae Ho Chung, the attitude towards China in East Asia has a particular pattern as shown in the figure below. From the table 2.1 we can see that state power does not account fully for their underbalancing towards China²².

Otherwise, we should see Thailand balances more against China than the Philippines, and the more authoritarian a state is, the more balance policy it would undertake.

As I will argue below, the fallacy of the Schweller argument is that it does not distinguish among different kinds of balance and their associated requirements on state

²² It is difficult to accurately measure the amount of power of a state. However, to compare two states' power might be easier. So even if one cannot precisely tell the power of each ASEAN state, at least he can know that their powers are different.

power. Also, he fails to explore how the interaction between states influences their balancing behavior. This strategic interaction between states could be an important variable in explaining state behavior.

Almost none of theories discussed so far account for the fact that China might deliberately choose policies to prevent other states from balancing against it. The China factor in underbalancing behavior has not been sufficiently appreciated. The outcome should be the result of the interaction between the two sides, namely, between China and other East Asian states.

In the following section, I will put forward my theory and hypothesis.

2.2 Theory and Hypotheses

As noted, Schweller seems to ignore the distinction between internal and external balancing²³ when he explores the phenomena of underbalancing. However, it might have important implications for theory development. Compared to internal balancing, external balancing requires less social mobilizing capacity, less state power, national power, etc. In other words, when a state chooses to balance against a threat by building alliances, Schweller's theory might lose most of its predictability. It appears that elite consensus or even less²⁴ could be enough for external balancing. If a state chooses to externally

²³ Internal balancing refers to domestic effort to increase capacity to counter threat, while external balancing means a state entering alliance with other states to check the more powerful state.

²⁴ External balancing could be used to consolidate domestic power or press down opposition, so even a portion of the elites can promote external balancing policy in a state.

balance another state, the reason for underbalancing would more likely be found in the interaction between states, or as equally important as domestic factors. As a result, we should distinguish between internal balancing and external balancing first when we discuss the domestic politics of balancing.

The power gap between states has direct implications for a state's strategic choice. For a relatively weak state facing a much stronger state, its room for securing autonomy becomes quite limited. So internal balancing may not make sense any more. The vast gap in power would frustrate any effort of internal buildup of capacity²⁵. The option would seem to be one between external balancing and bandwagoning. As noticed before, bandwagoning means to put its security and autonomy at the mercy of the stronger. However, the intentions of the strong would always change. From this perspective, bandwagoning is largely equal to insecurity. Thus for a state, balancing, if possible, is preferred over bandwagoning. Unfortunately, for a small state, the opportunity for external balancing does not always exist.

These constitute my first two propositions,

1. External balancing has fewer and lower requirements in domestic resources than internal balancing. The possibility of external balancing depends on both

²⁵ It is not unusual that small states modernize their military and seem to internally balance against major powers. However, military buildup is not the same as internal balance, since the small power might have other incentives for greater military power, such as seeking status as a normal sovereign state (Dana Eyre, and Mark C Suchman. "Status, Norms, and the Proliferation of Conventional Weapons: An Institutional Theory Approach." in *The Culture of National Security*, eds. by Peter Katzenstein (New York: Columbia University Press, 1996): 79-113.). Even if small states actually internally balance against major powers, such behavior would not be taken seriously by major powers. Such balancing is without any influence on their mutual relations. So for a small state as a rational actor, it would not rely on its internal balancing.

international and domestic factors.

2. When the power gap prohibits internal balancing, a state would prefer external balancing over bandwagoning if it can find a balancing opportunity.

So the basic structure is determined by the power configuration of the international system and the policy possibilities are determined by the state's power.

Schweller's theory opens the way for consideration of foreign influences on balancing behavior. Since the balancing strategy has conditions to be met, it no longer appears as simply an automatic outcome of the system. The possibility to influence other states' balancing behavior thus comes up. For when a country is under the risk of being balanced against, it might attempt to affect potential rivals, by influencing conditions required for balancing in order to prevent such behavior. As mentioned, Schweller's theory concentrates almost exclusively on domestic politics, so he fails to acknowledge that interaction between states could have a direct influence on balancing behavior.

So the third proposition is that:

3. The outcome of balance of power is subject to the interaction of states, and it is not entirely determined by systemic power distribution and domestic politics.

Then, further questions arise: when will these states balance and when will they not? What are the conditions for their policy choice? I will defer these questions until I discuss the rising state's strategy.

Previous researchers mostly fail to account for the rising power's perspective or simply assume that the rising power would expand as its power grows. This ignorance or

simplification is one of the reasons that current research fails to capture the range of responses to a rising state. The policies of the rising state and its strategic behavior would establish the baseline for other states' particular behavior. In any particular time, the international system is in a process of acting and reacting. Too much concentration on either side of the game might miss a large part of the picture. In the following section, I will first consider in the international system how a unitary rational state should act. Later, I will bring in the domestic variables.

The recognition of the need to view from both perspectives of the balancer and the balanced leads to an examination of the strategic thinking and behavior of the rising state. The rising state should be clearly aware that it is highly likely to meet balancing behavior from other states if it does not behave prudently. As to possible balancing behaviors, a rival having comparable power could employ both internal balancing and external balancing, while a weaker power can only choose to be an external balancer. In response to an internal balancer, the rising state could choose to ignore, acquiesce, or even make concessions to avoid the balancing behavior, or, it could fight back to intimidate the target to cease its balancing behavior. The first reaction, by itself, would be seen as encouraging internal balancing, so when facing internal balancing, the rising state would react sometimes forcefully. Is it possible that the rising state being balanced tries to persuade states balancing itself to give up their balancing behavior by showing its benign intention and providing material benefits? The state being balanced might try at first, but it would face a serious problem of commitment, that is, it would need to guarantee its future behavior toward the balancing state, which it cannot do in light of the

anarchic structure of the international system. As a result, internal balancing would soon resume, and it would be harder to prevent and stop, especially when the power between two states grows closer²⁶. When this happens, states would most likely enter the spiral of a security dilemma, which would require mutual balancing. However, when one of them gains enough power, and the power gap is large enough to render internal balancing meaningless, the security dilemma can thus be ended²⁷.

By contrast, when facing an external balancer, to react harshly would simply push the rival further away. As a result, the rising state might try every means it can to show its benign intention and offer tangible benefits to tempt the rival to accept its position.

Then, what about a state carrying out both kinds of balancing policies? One would expect to see that the rising state would be in a paradoxical position: on the one hand, it must on occasion demonstrate toughness in order to fend off internal balancing; On the other hand, it has to show itself amicable to prevent external balancing. Generally, when the rival state is more inclined to external balance, the rising state would likely be more friendly; when the rival exhibits internal balancing, the stance would become tougher. And for the internal balancer, the rising state has more incentive to influence the rival's domestic politics.

Thus, three more propositions are given:

²⁶ Stephen Walker and B. Marfleet's binary role theory can also come to the same conclusion, as when the disparity of power is large, the interaction is much simpler than when power is equal. See Stephen Walker and B. Marfleet, "Binary Role Theory and Grand Strategies", Annual Meeting of the International Studies Association in San Diego, CA, April 1-5, 2012.

²⁷ Davide Fiammenghi, "The Security Curve and the Structure of International Politics: A Neorealist Synthesis." *International Security* 35 (2011): 126-54.

4. The international system would predispose a rising state to react negatively against an internal balancer.

5. The international system would incline a rising state to provide positive incentives to an external balancer.

6. The international system would influence a rising state to adopt a mixed strategy against a state that is engaged in both internal and external balancing.

Next, return to the perspective of states which are in a position to react to the rising state. When the rising state increases its power quickly, the anarchical international system would press other states to balance against it. As mentioned before, other states, according to their respective domestic and international conditions, would choose to internal or external balance, or both, or to accommodate. Internal balancing requires a significant commitment of state resources, which opens the door for the influence of domestic politics. The rising state should try to increase its leverage on the balancing state. This might exacerbate discontent in the society, or it could cause one group of elites to maneuver against another. In other words, if the rival state structure fails to resist influence from the strong state, internal balancing would be limited or fail. Hence, the outcome dictated by the international system would not materialize.

External balancing, requiring fewer domestic resources, would to a large extent be contingent on international interaction between states. External balancing means either aligning with a stronger state or forming a group of states that have less power than the rising state. The number of states involved portends that the problem of collective action

would be an obstacle, especially when allying states are roughly equal in power. If the external balance involves the alliance of a group of relatively small states, then the rising state might take advantage of the collective action problem. It could handle these states individually so as to create different payoff structures for these states, thereby minimizing their common ground for cooperation. It could even join the group to prevent its effectiveness. If the strategy of the rising state works, then we should expect underbalancing behavior from the rival states. Moreover, the alliance of small states is very unlikely to succeed, because the capacity of the alliance to exact and organize resources from member states is insufficient compared to a single sovereign state. A state has a hierarchical bureaucracy and institutions to mobilize domestic resources effectively, whereas an international organization would be limited by states sovereignty in the organization's ability to utilize its member states' resources. For example, even the most successful cross-national alliance, NATO, cannot compare to a state in terms of coordinating internal behavior. Thus, a state would be much more efficient than an international organization. This would mean that a group of small states should have significantly more resources than their target states if they want to balance against it in order to compensate the disadvantage in efficiency.

However, if external balancing means flocking to a major rival which has comparable or more power than the rising state²⁸, the collective action problem would largely disappear since the strong state could serve as a leader and impose a structure on

²⁸ The only problem is how to keep the major power committed to the security of the small states. More often than not, it is beyond the intention and capacity of small states and geopolitics usually dominates.

the alliance system, thus avoiding the collective action problem. Under this arrangement, the game would be played mostly between the rising state and another major power. As suggested, the rising state would attempt to pull these small states toward it by extending benefits. When major powers of both sides all want small states on their side, if we view it from the perspective of the small states, we can see that their best strategy would be to maintain their position in hopes of being courted by both sides²⁹. To move toward one side would usually result in more benefits offered by the other. The system pushes states to balance against the rising state; however, the interaction among states could offset such an imperative. The best strategy under such interaction would become underbalancing. In a paradoxical way, starting with the intention to externally balance, the state would likely circle around to a strategy of underbalancing. Since this strategy requires few domestic resources, the elite consensus on the issue would be the essential variable in determining the policy.

As a result, my final propositions are about conditions leading to underbalancing:

7. International interaction could lead to underbalancing by influencing the domestic politics of rival states.

8. The incentive to externally balance could be offset by changes of the payoff structure triggered by the rival state.

²⁹ Since 2010, Myanmar has been attempting to establish closer relations with the U.S by signaling domestic reform. This is indirect evidence that accommodating is the least favored policy for a secondary state, since Myanmar used to accommodate China. It seems that it might see staying in between China and U.S. a better position for itself, as predicted here.

These propositions constitute the center of my theory. Applying it to the international politics in China and its East Asia neighbors, we can generate hypotheses about their behavior and thus provide a potential explanation for underbalancing. I will elaborate what we should expect to see in East Asian politics following the end of the Cold War.

China takes the role of the rising power and becomes a target for balancing in the region. As my theory suggests, China would deliberately adopt different policies towards different countries for undermining their potential balancing behavior. As balancing behavior has its root in security concerns, adopting military means³⁰ for foreign policy goals would be counterproductive for China. The policy options for China thus center on nonmilitary policy.

Generally, among an array of tools, China's most influential one is its economic policy. As the world's fastest growing economy of the last 30 years, China deliberately uses its economic policy to influence foreign countries to create a better environment for China. Economic means provide tools for China to change other states' incentive structures and to increase China's connections with other societies. These connections provide the openings for influence.

³⁰ China is actively building its domestic power at a fast pace, which arouses global concern. So if China ever uses military power against any other states, the reaction can be expected to be extremely negative. We should notice the domestic reason for China's military modernization, which is one of the four modernizations set by Deng Xiaoping. It is one of the pillars for CCP's legitimacy, quite appealing to nationalists. So even though arms might lead to uneasiness especially in its neighborhood, China will not stop modernizing its military. As Ross argues, it is "one manifestation of nationalist 'prestige strategies' ". See Robert Ross, "China's Naval Nationalism: Sources, Prospects, and the Us Response." *International Security* 34 (2009): 46-81.

The Chinese economic mode dictates that international commerce would be the source of influence for China. The available sources for influential policy include opening markets, foreign investment, trade policy and economic aid. The use of these policies and their combination gives China leverage to prevent balancing by other states. So, the power of the business elites in a state would have a direct effect on China's influence on that country. It could be a source of variations of attitudes towards China³¹.

Though we can say that all other East Asian countries are underbalancing China, yet, as these states vary in size and power, China takes different measures to deal with them. Japan obviously balances China more than ASEAN states, and Taiwan is in between. Japan is the only country in the region that has the ability to compete with China, and its special relationship with the U.S. also should be taken into account. Thus, China confronts Japan to limit its internal balancing, however it should also seek to befriend Japan in an effort to pull it from the U.S. In addition, China also needs to frustrate Japan's effort to build an alliance in the region to confront China. This complexity leads to a fluctuation in China's attitude towards Japan. It can also explain why China is tougher toward Japan than ASEAN. Another state similar to Japan is India. However, since the tools for influencing India domestic policies are fewer, China faces stronger balancing behavior from India.

³¹ But how to assess the power of business elites or big companies on domestic politics? One way it can be done is by looking at the Index of Economic Freedom of the country, the easiness of the role transition between business elite and political elite, and the running of key economic sectors (like bank, energy and transportation).

For ASEAN states, their internal balancing is doomed to fail in view of the vast gap in power. Rather than bandwagon with China, their preferred choice is to bring the U.S. into the region to balance China's influence, given the American willingness to be involved in regional affairs. Consequently, for China, the challenge is to deal with external balancing behavior. This is why China shows goodwill to ASEAN states, to tip the balance toward the China side.

The remaining of the dissertation assesses the utility of these hypotheses in explaining China's relations with its neighbor.

2.3 Methods and Cases

I will employ comparative case studies to examine the hypotheses. Through the cases of Japan and ASEAN and a comparison of them, I will test the hypotheses.

The test of my hypotheses will start with a description of the structure of aggregate power³² in the region, thus identifying the position of each state in the system. Such a charting of the players in the system would be the baseline for policy. If states act as unitary rational actors, their positions should determine their behaviors. Later, I will survey the major events and policies in relations between China and its neighbors. This can provide a general picture of regional relations, which constitutes a first test of some

³² I will use ordinal measurement here. Rather than creating an index for power, I would provide a rank-ordering of power in the region, which should be enough for my research.

of the hypotheses³³. There should be some deviant behaviors against the prediction of the unitary rational model, which I will examine further. With government documents (e.g. white papers on national defense, government declarations, economic policy, inter-government agreements, formal speeches of leaders), personal accounts of events and policies (e.g. interviews, memoirs, selected works of leaders, columnist articles of policy makers), data from international organizations like the World Bank, the United Nations, secondary sources (other scholars' research), and varied news sources (from major Chinese and English news outlets in the region and global media), I will try to locate different considerations in the policy process. In particular, I will utilize the relevant U.S. diplomatic cables obtained and released by WikiLeaks in 2010 and 2011³⁴. These cables recorded communications between U.S. officials and officials from East Asian states and their policy considerations. Systemic reading of these cables provides the best chance to understand the mind of policy makers without conducting numerous interviews with top officials from different countries. By examining all these sources mentioned, I hope to shed new light on East Asian politics from the perspective of balancing and underbalancing. My approach will be mainly qualitative, since the variables involved are difficult to quantify and the number of cases is small.

³³ There is difficulty here, for it is quite difficult to separate events and theory. Theories are at least implicit in the reconstruction of the facts, and then these facts are used to confirm the theory, which constitutes a circular argument. A possible solution is to compare different coverage of the same event.

³⁴ I selected 850 cables for the research of this dissertation from Wikileaks digital archives after keyword searches and screening titles. All cables cited in the can be searched and accessed from <http://www.cablegatesearch.net/>. When citing the U.S. diplomatic cables, I will only provide the cable id followed by the paragraph number separated by colon, if a specific paragraph is referred to. For example, 04TAIPEI3742: 8 means paragraph 8 of the cable with the id 04TAIPEI3742.

To test my theory, I will examine the interaction between China and Japan, and China and ASEAN after the Cold War. These relationships constitute a good test of the theory, because Japan is a comparable power, expected to be an internal balancer, while ASEAN states are natural external balancers. Comparisons between Japan and ASEAN states and within ASEAN states would provide enough variance in the independent and dependent variables. By choosing these for my analysis, I am examining countries under different power relationships for my study, thus providing a relatively complete test for the hypotheses.

CHAPTER 3

CHINA'S STRATEGY AND POLICIES

Hide your brightness, bide your time.

-----Deng Xiaoping

Well regarded and self-aware as a rising power, China would almost naturally expect balancing behavior from its neighbors in East Asia, especially in view of its sometimes strained relations with these countries during the Cold War. To be balanced would mean a confrontational environment adverse to China's security interest and economic development, and might ultimately pose a challenge for the survival of the communist regime. As a result, we should expect China would try every possible means to prevent such balancing from happening.

However, in IR literatures, there is little discussion about how a state (should) respond to its potential balancers. The reason might be that in neorealism's balance of power theory, to balance is natural and deterministic, so no matter what a country does, if certain conditions are met, it would be balanced by other states. If we don't accept such a determinist perspective, however, and as classical realism might argue, politics matters, which suggests that international politics can influence the policies of another state¹. Then, as neoclassical realism and its inadequacy suggest, we can start to think about how a state uses deliberate policies to avoid being balanced. In this chapter, my goal is to

¹ Jonathan Kirshner, "The Tragedy of Offensive Realism: Classical Realism and the Rise of China." *European Journal of International Relations* 18 (2012): 53-75.

survey the policy tools of China to handle relations with its neighbors. With these policy tools in mind, we can discuss in the following chapters how they actually function in the interaction between China and its neighbors, and finally shed light on the future of East Asia.

Whatever policy tool it is, the use always intends to influence other states. So it would necessarily involve the concept of power², and through the concept of power I will classify the policy tools China actually possesses. Since Joseph Nye, the distinction between soft power and hard power has been used to analyze the interaction between states. However, the definition of soft power is far from clear. For example, whether economic power belongs to the category of soft or hard power is controversial. Nye denies that economic power is soft power for it can be used for payment or coercion³, but some other authors include economic power in their writings about soft power⁴. This might suggest the distinction between hard and soft power is not binary, but a continuum. Attractiveness itself can also come from hard power, like military power. Who can deny that a power with superior military power can attract others? Power itself is attractive. However, some power is more compulsory than others. Military action is obviously more compulsory than economic sanction. Another difference might be described in terms of the scope and extent of influence. Soft power tends to be long term and indirect but broad

² A classic definition of power by Robert Dahl is the ability to compel others to do something they otherwise would not do. This suggests that power exists only when it brings change, but it could also be employed to inhibit change.

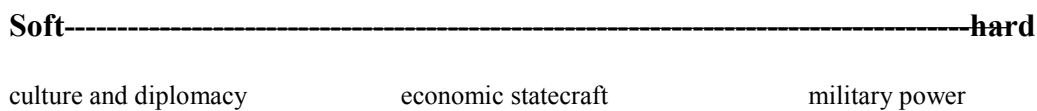
³ Joseph S Nye, *Soft Power: The Means to Success in World Politics* (New York: PublicAffairs, 2005); Joseph S Nye, "Think Again: Soft Power." *Foreign policy* 1 (2006).

⁴ Joshua Kurlantzick, *Charm Offensive: How China's Soft Power Is Transforming the World* (New Haven: Yale University Press, 2007), 6.

and profound, whereas hard power is more likely to have an immediate effect but might not endure when the same power is withdrawn.

Based on the understanding of the continuum from soft to hard power, I distinguish three categories, namely, culture and regular diplomacy, economic statecraft, and military power. Beyond these, the appropriate use of these tools constitutes another layer of analysis. In addition, though many other cross-national interactions might have implications for the long-term relationship for countries involved, for the purpose of this research, I will only discuss state-initiating or state dominating behaviors.

Figure 3.1. The spectrum of Chinese power



On the soft end of the spectrum, it is the cultural policy. These policy tools increase the exchange of information and ideas between states. More understanding between states and societies can reduce prejudice and the possibility of misunderstanding, while at the same time increase confidence in the predictability of others' behavior. Examples include the Chinese government's active promotion of Chinese culture⁵ by art exposition and language learning, notably the Confucius Institute, student exchange, traditional culture, and large events (like the Summer Olympics of 2008, World Expo of 2010).

⁵ The increasing exposition to a culture, however, does not necessarily reduce the hostility towards it. It could have opposite effect—just think of Nazi Germany and Stalinist Russia, or for that matter, China under Mao.

Diplomacy also constitutes an important tool. It captures the interaction between states, including state visits, attendance at international meetings and participation in multilateral international organizations, etc. The issuance of policy white paper is also regarded as one kind of diplomacy, as the main intended audience is foreign states and people. These statements help increase transparency and policy intention.

As China becomes a major trading country, its economic decisions have significant external effect. So economic statecraft should be one of its most powerful policy tools to directly affect the domestic interest structure of a foreign country, thus influence on domestic politics. It can generate positive or negative incentives to influence the target state. Policies that can offer positive incentives include free trade, aid and free loans, etc. By contrast, economic sanctions produce negative incentives.

Military might is commonly viewed as hard power. It ranges from military aid as a positive incentive to threatening and actual use of military attack. However, generally, direct use of military power is counterproductive for preventing balancing, as the use of it is the clearest sign for the necessity of balancing. So it will be rarely used. On some rare occasion, China did use military force, for example, some military confrontations did occur in territorial disputes.

Then, the question can be asked: how can these policy tools contribute to the Chinese effort to prevent or reduce balancing behavior from its East Asian neighbors? Human behavior can be regarded as a combination of intention⁶ and capacity. When one

⁶ We might have multiple intentions at the same time, and the strongest determines the outcome. Additionally, a policy might at the same time have an impact on intention and capacity. For example,

has the intention and capacity to perform an act, one does it. The state, like a person, when it acts, should have a combined intention and capacity. So, from this perspective, the research on how policy might influence a state's behavior can focus on how a particular policy affects the intention and capacity of the state to implement its own policies. On many occasions, the intention and capacity are closely related. The inadequacy of capacity would reduce the intention, while strong intention might bring additional power to the agent. The separation is in theory but rarely in reality. Then, how does China's policy influence its neighbors' intentions and capacities to balance against it? In the rest of this chapter, I will articulate the possible channels of policy influence.

The first section will discuss China's thinking on the danger and reaction to the possible balancing or containment from other states. The following section details China's policy tools and how they, from soft to hard, could possibly influence the intention and capacity of a state to balance against China. The conclusion will focus on the constraining factors on the use of these policy tools and implications for the future.

economic interdependence might increase the capacity but reduce the intention to balance. In the latter part, I will focus on direct effect of the policy. For instance, increasing cultural interaction might reduce the intention to balance, and it would generally divide the society and the state over the issue of balancing thus in the long term curtail the capacity to balance. The inference is possible, but the causal chain is too long and subject to too many additional variables, so I will only discuss the direct effect.

3.1 China's Thinking

There is a virtual consensus that China's leaders hold strong realist ideas in their views of foreign affairs⁷, though whether its realism is defensive or offensive is under some dispute⁸. In general, they believe in the anarchic nature of the international system, and they assume that power politics is the truth and means to achieve national goals. One consequence of such perspective is a pessimistic view about national security. Some authors like to emphasize or overstate the potential threat from strategic encirclement⁹. In general, Chinese elites are sensitive to the danger of being balanced¹⁰, especially the U.S. led alliance against China, which would undermine the peaceful environment necessary for economic development and regime survival. The collapse of the Soviet Union made the party think that China would naturally become the next target as the last big Leninist communist regime.

In his meeting with President George H.W. Bush's National Security Advisor Brent Scowcroft in 1989, half a year after the Tiananmen incident, paramount leader Deng Xiaoping said, "China cannot threaten the U.S., and thus the U.S. should not treat

⁷ David Shambaugh says it is the dominant group. See David Shambaugh, "Coping with a Conflicted China." *The Washington Quarterly* 34 (2011): 7-27.

⁸ For offensive realism, see Alastair Iain Johnston, *Cultural Realism: Strategic Culture and Grand Strategy in Chinese History* (Princeton: Princeton University Press, 1998); Defensive realism, see Huiyun Feng, *Chinese Strategic Culture and Foreign Policy Decision-Making: Confucianism, Leadership and War* (London: Routledge, 2007)

⁹ Michael A Glosny, "Heading toward a Win-Win Future? Recent Developments in China's Policy toward Southeast Asia." *Asian Security* 2 (2006): 24-57, 26. Recently a popular author Dai Xu wrote on the C shape encirclement against China and successfully drew a lot of attention. See Dai Xu, *C-Shape Encirclement* (Shanghai: Wehui Publishing, 2009).

¹⁰ David Shambaugh, "China's Military Views the World: Ambivalent Security." *International Security* 24, no. 3 (2000), p. 66

China as its adversary.”¹¹ The U.S. was not the only intended audience of this message. He left the maxim for his successors, “Observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership”¹². President Jiang Zemin repeated these words in his speech to China’s diplomats¹³ and claimed that China must stick to these maxims for a long time. President Hu Jintao and his top officials also repeatedly have told the world that China is not a threat¹⁴. If we don't regard these words as mere rhetoric, the strategic thinking behind them is not difficult to contemplate. China does not want to be viewed as a threat to be contained or balanced. The repetition of the rhetoric actually highlights the danger of China being perceived as a threat. During most of the first three decades of the PRC, China’s revolutionary policy antagonized a lot of its neighbors. After the end of the Cold War, the specter of China threat theory still haunts many neighboring states¹⁵. The uneasiness from other states gave rise to the need for repeating many assurances of China’s benign intentions.

¹¹ Deng Xiaoping, “SINO-U.S. Relations Must Be Improved”(Zhongmei Guanxi Zhonggui Yao Hao Qi Lai), in his talks with Brent Scowcroft, December 10, 1989, accessed February 25, 2013. <http://cpc.people.com.cn/GB/69112/69113/69684/69696/4950051.html>.

¹² M K Bhadrakumar, “China breaks its silence on Afghanistan”, *Asian Times*, February 25, 2009, accessed February 25, 2013. <http://www.atimes.com/atimes/China/KB25Ad03.html>. There are several different translations on Deng’s maxim. The one I adopt here is from this news article.

¹³ Jiang Zemin, “Current World Situation and Our Diplomatic Work”, in *Selected Works of Jiang Zemin II* (Beijing: People’s Press, 2006), 202.

¹⁴ It becomes harder and harder a task for the top officials to appease the anxiety over China’s rising defense capacity. see Terril Yue Jones, “China defense chief says military buildup no threat to the world”, Reuters, November 27, 2012, accessed February 25, 2013. <http://www.reuters.com/article/2012/11/27/us-china-defence-idUSBRE8AQ08Z20121127>.

¹⁵ For a summary, see Yong Deng, "Reputation and the Security Dilemma: China Reacts to the China Threat Theory." in Alastair Johnston and Robert S. Ross eds, *New Directions in the Study of China’s Foreign Policy* (2006): 186-214.

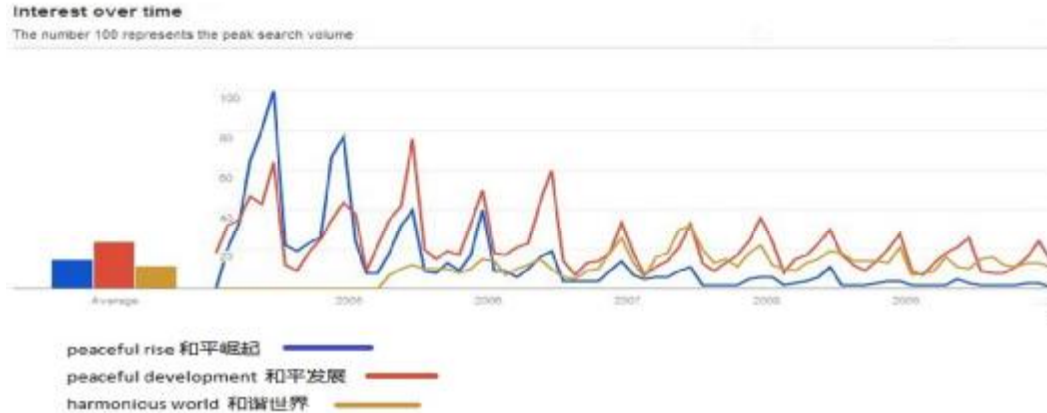
Reflecting the concerns of Chinese leaders, Chinese scholars have paid special attention to the issue. When one searches the keywords “China Threat” plus “international relations” (中国威胁 国际关系), Google scholar returns 67,900 results excluding citations, patents and legal documents. Hence, it is not an exaggeration that the elites in the country are very much concerned about the possible negative ramification of China’s great power status in the region.

The sensitivity to the danger as a rising power can also be seen from the fate of the theory of peaceful rise. The theory was proposed by a top Chinese strategist Zheng Bijian in Nov 2003 in the Boao Forum in Hainan. It was intended to appease the concern over China’s rising power. He contended that China’s development needed a peaceful environment, and China’s development would contribute to world peace in return¹⁶. About one month later in his visit to the U.S., Premier Wen Jiabao used this term for the first time, and the phrase gained huge popularity within a short time. Wen later explained this term to a Singapore newspaper in the press conference after the People’s Congress meeting in 2004. He mentioned five key points of the notion of peaceful rise. The last one, which might be the clearest message China wanted to convey, stressed that China’s rise would not threaten and sacrifice any other countries, China wasn’t a hegemon and would never be¹⁷. The rise of China could be peaceful rather than bringing instability and war.

¹⁶ Zheng Bijian, "A New Path for China’s Peaceful Rise and the Future of Asia." Paper presented at the translated by authors) speech delivered during Boao Forum for Asia, 2003.

¹⁷ The transcript of the press conference, accessed March 14, 2013.
<http://www.cctv.com/news/china/20040314/101194.shtml>.

Figure 3.2. The rise and fall of the three Chinese terms for international order



Source: Google trends 2012

However, not long after, in the second half of 2004, some argued that the word “rise” was thought to be too closely related to negative experience with Germany and Japan before the World Wars. So Chinese leaders changed the word “rise” to “development”. Soon in 2005, President Hu used a new concept, “harmonious world”, to explain China’s idea of world order, adding the symbolic word of his tenure, namely, “harmonious”. A harmonious world is one “where all civilizations coexist and accommodate each other”¹⁸. From the data provided by Google Trends, measuring the popularity of a word on the internet, we can easily see the rise and fall of these terms. Using the Chinese characters of peaceful rise (和平崛起), peaceful development (和平发展) and harmonious world (和谐世界), Google trends shows “peaceful rise” had a peak time in 2004 but soon declined and was replaced by “peaceful development”. The

¹⁸ Xinhua News Agency, “Hu Makes 4-point Proposal for Building Harmonious World”, September 16, 2005, accessed February 26, 2013. <http://www.china.org.cn/english/features/UN/142408.htm>.

“harmonious world” gained popularity as soon as it was introduced in the middle of 2005 and then stayed at the same level of importance as “peaceful development”.

In all, the sensitiveness of Chinese leaders when they explained China’s view on its rise and world illustrated their fear of being viewed as a threat and becoming the target of balance of power. With this concern in mind, the following section will survey in detail the policy tools that China can employ to curtail the potential of being balanced.

3.2 China’s Policy Tools

The danger of being balanced compels a policy response from China, and its policy tools have been evolving over time. As China’s power is growing continually and more resources become available, its policy tools are becoming increasingly diverse and nuanced. In addition, the interaction with the global society has also provided a chance for China to learn from others’ experiences in dealing with foreign affairs. The emulation not only exists in the economic field but also in the policy field. We can find many of its policies have roots in western concepts and experience. However, bounded by several limitations it faces, the effect of its policies might vary.

3.2.1 Culture and Diplomacy

Cultural Approach

The attention to the importance of culture in diplomatic efforts is inspired by the concept of soft power proposed by Joseph Nye. Not long after Nye developed his idea of soft power¹⁹, it was introduced to China. The first introduction of soft power into China's academy has been traced back to 1993²⁰, by one of the current central committee members, Wang Huning, who was a professor of political science at Fudan University at that time. In the early 2000s, this concept attracted a lot of discussion and gained attention from the policy leaders. The party leaders often emphasized the role of culture in comprehensive national power and international competition²¹. For example, in his report to the 16th National Congress of the Communist Party of China in 2002, General Secretary Jiang stressed the important role of culture in international competition, listing it with economy and politics. Later, the notion of soft power appeared among the most important policy guidelines issued by the party. In Hu's two reports to the Party Congress (17th and 18th), he explicitly discussed soft power, though his usage of the terminology

¹⁹ Joseph Nye, "Soft Power." *Foreign policy* (1990): 153-71; Joseph Nye, *Bound to Lead: The Changing Nature of American Power*(New York: Basic Books, 1991)

²⁰ Xin Li and Verner Worm. "Building China's Soft Power for a Peaceful Rise." *Journal of Chinese Political Science* 16, no. 1 (2011): 69-89.

²¹Weihong Zhang. "China's Cultural Future: From Soft Power to Comprehensive National Power." *International Journal of Cultural Policy* 16, no. 4 (2010): 383-402; Mingjiang Li, "China Debates Soft Power." *The Chinese journal of international politics* 2, no. 2 (2008): 287-308.

differed to some extent from its use in the western academy²². As a result, many policies aimed to promote China's soft power have been used. One of the most important purposes is to shape the perception of China and foster a positive image, thus to increase acceptance of China's growing power. The cultural policy tools are expressed in their fullest form in the Confucius Institutes.

In 1987, in order to promote Chinese language and Chinese culture to the world, China's state council established the Chinese National Office for Teaching Chinese as a Foreign Language (Zhongguo Guojia Hanyu Guoji Tuiguang Lingdao Xiaozu Bangongshi, Chinese: 中国国家汉语国际推广领导小组办公室). During most of the years until the establishment of Confucius Institutes, it was mostly invisible to the world except for those who came to China and learned Chinese. There were also other scattered events in the 1990s to promote Chinese culture but without an institutionalized effort on a regular basis.

In 2004, learning from western experience, China initiated a bold effort to promote its culture and language overseas by establishing its first Confucius Institute in Seoul, Korea. It was modeled after the Alliance Française, British Council, and Goethe-Institut, etc., but its development and expansion were at much faster pace. Since then, after 8 years till 2012, 400 Confucius institutes and 500 Confucius Classrooms in middle and elementary schools have taken root in 108 countries and districts²³. This is the first

²² Hu's use of soft power has a dimension of domestic politics, which is absent in the western use.

²³ Confucius Institute website, "about us", accessed February 12, 2013.

http://www.hanban.edu.cn/hb/node_7446.htm.

time the Chinese government has undertaken to institutionalize the spread of Chinese culture. Choosing Confucius as its brand, it tries to dilute the image of China as a communist regime, opting to link the PRC with its traditional culture symbol.

Table 3.1. The Number of Confucius Institutions in China’s East Asian Neighbors

Country	Number of Confucius Institute
Philippines	3
Korea	17
Malaysia	2
Japan	13
Thailand	12
Singapore	1
Indonesia	7
Cambodia	1
Laos	1

Source: Confucius Institute 2013

China’s East Asian neighbors are among the most concentrated areas for building Confucius Institutes. The table above shows the number of institutes as of 2012 built in East Asia. States with a large number of Confucius Institutes tend to have strong connections with China, though it is arguable that the number of Confucius Institutes in a country cannot fully reflect the relation between it and China. The establishment of a Confucius Institute is complicated by many factors other than the status of the mutual relationship.

The stated goal of the organization is to promote language learning and culture exchange. The number of Chinese learners has increased dramatically over the years. It also becomes a hub for Chinese culture, sponsoring and supporting local events involving

China. According to its latest annual report, in 2010 alone, more than 360,000 students registered for courses, and it also held and supported more than 10,000 cultural activities²⁴.

Another major form of government-supported cultural program is called “the Year of Chinese Culture”, which has been held in more than 50 countries around the world since 2000. It also tries to convey a positive image of China and reduces biases against China²⁵.

If the above two programs represent what is being exported, then attracting more foreign students to China is symbolic of the exchange in the other direction. The Ministry of Education has launched an ambitious plan to become the no.1 choice in Asia for foreign students by 2020²⁶. The government provides a number of opportunities for governmental scholarship for foreign students in China, and some special programs target Asian and ASEAN students in particular. As of 2011, the number of foreign students has reached 292,611²⁷. Most of them are from China’s East Asian neighbors, which account for half of the top ten sources of international students in China, including South Korea, Japan, Thailand, Vietnam, and Indonesia²⁸.

²⁴ 2010 Annual Report of Confucius Institute, accessed February 14 2013.

http://www.hanban.org/report/pdf/2010_final.pdf.

²⁵ Li Fang, “How to Improve the Effectiveness of Year of Chinese Culture”, *People’s Daily*, December 23, 2011, accessed February 26, 2013. <http://cpc.people.com.cn/GB/64093/82429/83083/16692533.html>,

²⁶ Ministry of Education, “Study in China Plan”(Liu Xue Zhongguo Jihua; 留学中国计划), September 21, 2010, accessed February 26, 2013. http://www.gov.cn/zwggk/2010-09/28/content_1711971.htm.

²⁷ Ministry of Education, “Statistics on Foreign Students Studying in China”, February 28, 2012, accessed February 27, 2013 from

<http://www.moe.edu.cn/publicfiles/business/htmlfiles/moe/s5987/201202/131117.html>.

²⁸ Ibid.

Then, the question is how are these efforts helping to achieve the policy goal of preventing balancing behavior? Are they effective? As all of these efforts mainly relate to idea and perception, it is more likely they would influence the intention if they have any effect. Among Walt's four variables determining balance, intention is the most flexible and would seem to be least costly. Hence, the effect of Chinese cultural policy tools has to be evaluated from the perspective of intention.

Hongying Wang²⁹ points out three hurdles preventing a true integration of China into the west-dominated international community, that is, ideology, values, and race. These are also important factors affecting China's effort to build a positive image in East Asia to foster benign intentions.

The communist ideology has a mainly negative connotation in most countries due to the disaster it brought to various countries in the region. It is very unlikely that an audience in these countries would trust a communist government. Actually, one of the major suspicion harbored towards the Confucius Institute is that it might become an outlet of ideology³⁰. Even though the Chinese government brands the organization with the symbol of Chinese traditional culture, the support and funding from an infamous communist regime makes it easily a target for distrust, which would hamper the effect of culture in transforming intention.

²⁹ Hongying Wang. "Understanding the Intangible in International Relations." in Yongnian Zheng ed., *China and International Relations: The Chinese View and the Contribution of Wang Gungwu* (London and New York: Routledge, 2010)

³⁰ Christopher Ricking (2012), "Critics fear influence of Chinese state on Confucius Institute affiliates", Deutsche Welle, 25 January 2012, accessed February 27, 2013. <http://www.dw.de/critics-fear-influence-of-chinese-state-on-confucius-institute-affiliates/a-15688977-1>.

Though all of the countries I discuss here are Asian countries, the value conflict still exists. Asian values are not embraced by all countries in the region, especially in those liberal democracies, like Taiwan, South Korea and Japan. Even ASEAN officially embraced democracy and human rights in its 2007 charter³¹. As a primary advocate of Asian values and rejecting the western liberal democracy, China not only has a problem in convincing westerners, but also has difficulties with some of its East Asian neighbors.

The race issue is prominent in some ASEAN countries, where the overseas Chinese communities are a significant minority group in the society. The hostility against Chinese is exemplified by the brutal attack against Chinese in Indonesia in 1998. Many other states have discriminated against Chinese ethnic groups, which are usually small in number but relatively wealthy. In these countries, promoting Chinese culture would certainly have implications for race relations.

Another factor that negatively influences China's cultural approach is China's notorious domestic politics³². The leash on China's civil society stymies the capacity of society to create attractive cultural products. Moreover, with modern media and the coming of the information age, positive propaganda is more and more difficult to wield. The information a state wants to convey and the information the intended audience receives may reveal a great disparity. The local coverage of China is more credible to local audiences than those from official Chinese sources. Chinese government policies on

³¹ Sheldon Simon, "Asean and Multilateralism: The Long, Bumpy Road to Community." *Contemporary Southeast Asia: A Journal of International and Strategic Affairs* 30, no. 2 (2008): 264-92.

³² Nye, "China's Soft Power Deficit", *The Wall Street Journal*, May 8, 2012, accessed March 1, 2013. <http://online.wsj.com/article/SB10001424052702304451104577389923098678842.html>.

the internet, Tibet, human rights, or the incarceration of the Nobel peace prize winner Liu Xiaobo, have an outsized effect on the perceptions of international audiences on Chinese intentions, especially for those with an interest in politics, who are more likely to influence politics.

On the whole, it should not be surprising that the cultural policy tools would meet several problems, as these normally take a much longer time to have an effect. Moreover, policy elites tend to have more sophisticated minds, which means they are less likely to be influenced by such initiatives. This further decreases the possibility of short-term effects. Nevertheless, in order to achieve a stable peaceful environment, cultural exchange is necessary. More mutual understanding and less bias is necessary for a peaceful future.

Diplomatic Efforts

For more immediate effect on the policy outcome of other countries, the direct communication and negotiation between high-level officials is preferable. So the following section will survey the diplomatic efforts of China that aim to reduce the possibility of being balanced. After the end of the Cold War, Chinese leaders dramatically increased their international visibility by engaging in state visits, participating in international conferences and organizations, etc. Such efforts contribute

to the main theme of Chinese diplomacy after the Cold War, namely, reassurance³³. It is one of the ways China resolves the commitment problem it faces towards those potential balancers. China repeatedly commits to a stable and peaceful order and express benign intentions it has towards its neighbors and the world in bilateral and multilateral meetings. Such commitment is often called China's good neighbor policy. According to Premier Wen, China commits to good relations with neighbors, making neighbors feel secure, and helping them become prosperous³⁴. In specific terms, Wen stressed the equality of sovereignty between China and its neighbors regardless of the size of the country, the peaceful resolution of disputes, and the development of all of East Asia by strengthening economic connection and regional integration.

One key aspect of China's diplomatic effort is bilateral relations. Since the early 1990s, partly in order to break the blockage of the West and prevent an anti-China alliance from taking shape around China, the government expanded and strengthened its bilateral relations with its peripheral countries. A survey of the summit visits³⁵ can help illustrate such efforts. Unlike Mao, who just left China twice and Deng, who made

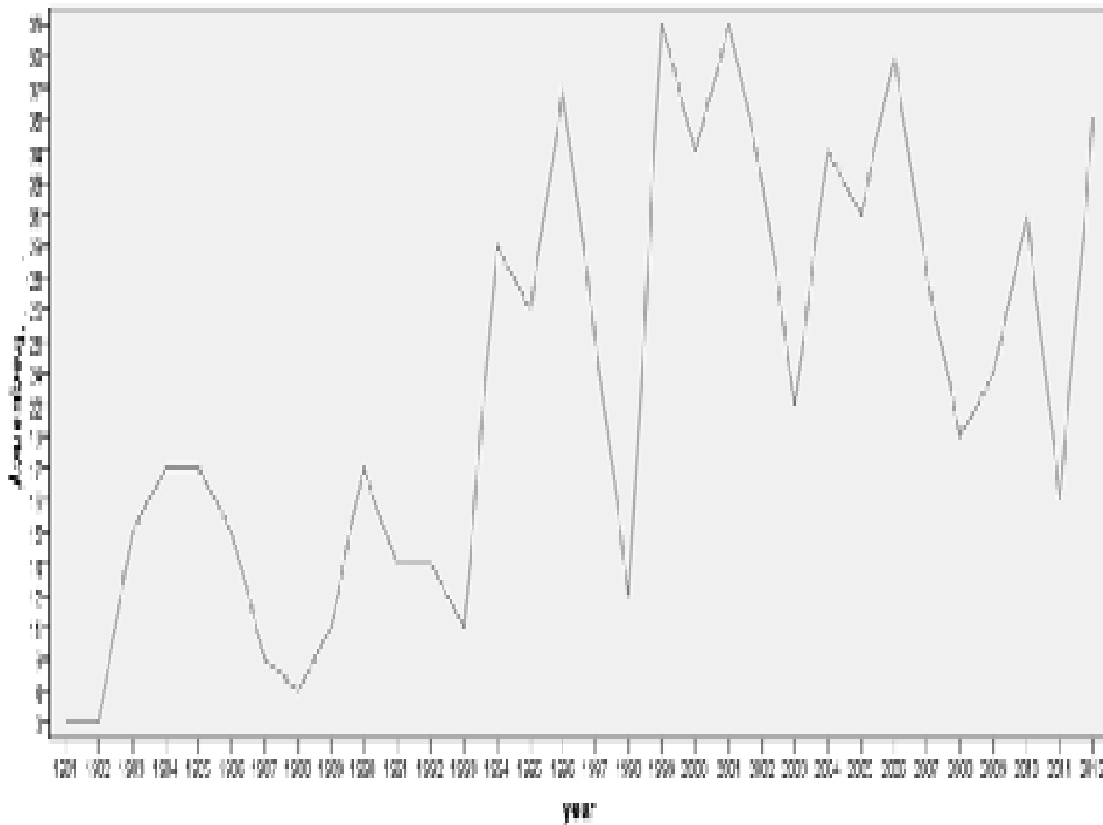
³³ Rosemary Foot, "China and the Asia-Pacific Security Order: 'Harmonious Society' and 'Harmonious World'", *Journal of Zhejiang University (Humanities and Social Sciences)* 1 (2008): 8-15.

³⁴ Wen Jiabao, "the Development of China and the Rise of Asia", Speech in China-ASEAN Business & Investment Summit, April 21, 2004, accessed March 1, 2013. <http://www.fmprc.gov.cn/ce/ceindo/chn/xwdt/t86916.htm>.

³⁵ Summit visit is defined as the state visit by top leaders. In China, the top leaders of the country includes the General Secretary of the Communist Party, the President of the country, the Premier, The Chairman/Chairwoman of the Standing Committee of the National People's Congress, the Chairman/Chairwoman of the National Committee of the Chinese People's Political Consultative Conference. I only count visits by these leaders to another country, and those bilateral meetings in a third country are not included in the dataset. For data before 2006, I use the data collected by Qingmin Zhang and Bing Liu, "Summit Visit and Chinese Diplomacy (Shounao Chufang he Zhongguo Waijiao 首脑出访与中国外交)", *Studies on International Politics* 2 (2008): 1-20. Data after 2006 are collected by myself by checking news report from People's Daily and China's Diplomacy Yearbook.

overseas trips just a few times, formal visits to foreign countries have become a regular responsibility for subsequent leaders, namely, Presidents Jiang, Hu and Xi. According to official statistics, during his tenure, President Jiang spent 364 days in flights and on foreign soil, visiting more than 70 countries³⁶. A further survey of the visits of China's leaders shows a general pattern of the behavior. Figure 3.3 shows the frequency of summit visits by Chinese top leaders every year from 1981 to 2012. Since 1991, with a few exceptions, Chinese leaders visited much more often than previous period.

Figure 3.3. Frequency of summit visits per year



³⁶ Zhaoxing Li, "Preface", in Zhicheng Zhong, *Wei le shi jie geng mei hao: Jiang Zemin chu fang ji shi* (For a Better World: The State Visits of Jiang Zemin)(Beijing: Shijie Zhishi Press, 2006)

Table 3.2. Frequency of summit visits by destination

Destination	1979-1991	1992-2012
Asia	53	210
Europe	36	191
Africa	17	83
North America	7	15
Latin America	10	55
Oceania	9	22

Breaking down these numbers, we can further see the area focus of these visits. China’s Asian neighbors have been top priority. As President Jiang said, “dealing with the relationship with peripheral countries is China’s top priority³⁷”. Between 1979 and 1991, Chinese top leaders visited on average about 4 times a year to other Asian states, whereas since 1992, the average number has risen to 10 times a year on average. Additionally, not included in these numbers, there have been several bilateral meetings in multilateral settings, including ASEAN + 3, ARF, APEC, and EAS, etc. It is fair to say there is at least one meeting a year between Chinese leaders and leaders of its peripheral countries through bilateral or multilateral meetings.

³⁷ Xinhua News Agency, “President Jiang’s meeting with President of Kyrgyzstan Akayev”, December 31, 2000, accessed March 15, 2013. http://news.xinhuanet.com/ziliao/2000-12/31/content_478417.htm.

During these visits, a repeated theme is the emphasis on the longstanding friendly relationship between the two countries. Economic and political cooperation is often stressed during these visits, especially on economic issues, which will be explored in detail in next section. Generally, the meetings between leaders provide an opportunity to learn about each other's thinking and concerns. In addition, there may be a chance to settle some points of conflict. Strengthening bilateral relations increases the possibility of influence on the policy outcome.

Participation in international organizations is another significant feature of Chinese diplomacy after the Cold War. In theory, Alexander Wendt argues that genuine embrace of multilateralism would be one way to alleviate the anxiety and suspicion of surrounding states³⁸. According to Deng Yong, involvement in multilateral institutions is driven by the hope to “demonstrate positive contribution of China's rise to international security and prosperity.”³⁹

Besides, multilateral meetings provide additional opportunities for bilateral meeting, especially when bilateral meetings are difficult due to domestic concerns. For example, domestic nationalism sometimes makes bilateral meetings between Chinese and Japanese leaders impossible or too costly. The more general context of multilateral meetings could in this situation shelter the politicians from domestic criticisms.

³⁸ Alexander Wendt. *Social Theory of International Politics*. (Cambridge: Cambridge University Press, 1999), 360-63.

³⁹ Yong Deng, "Reputation and the Security Dilemma: China Reacts to the China Threat Theory", 201

Despite all of the obvious benefits, China's acceptance and active participation in regional multilateral organizations has undergone a learning process. In 1991, Foreign Minister Qian Qichen attended the ASEAN meeting in Malaysia as a guest, which marked the beginning of Chinese's regional multilateral diplomacy. At first, China was reluctant to join any regional organizations out of the concern that other countries might unify against it. However, it soon learned that such worry was overblown. Being a partner actually prevented the possibility of being isolated by all the other states. This was due to the fact that all these significant regional organizations valued the ASEAN way, which emphasizes consensus in decision process and non-interference in internal affairs⁴⁰. So as long as China is a member, any proposals unfavorable to it cannot be passed. The ARF (ASEAN Regional Forum) is a good example. It planned to have three phases, namely, "confidence-building measures, preventive diplomacy mechanism and then conflict resolution arrangements"⁴¹. Partly because of China's resistance, the ARF has stagnated at the first stage. Essentially, China's participation makes any multilateral organizations impervious for external balancing. So it is hardly surprising that China is now a member of all important regional organizations.

To further demonstrate its good will towards its neighbors, China also chose to craft and sign multilateral agreements and treaties. It consented to sign the 2002 Declaration on the South China Sea, which requires all parties involved to abandon the use of force to solve territorial disputes in the South China Sea. Later, in 2003, China

⁴⁰ Sheldon Simon, "ASEAN and Multilateralism: The Long, Bumpy Road to Community"

⁴¹ Bates Gill, *Rising Star: China's New Security Diplomacy*. (Washington D.C.: Brookings Institution Press 2010), 30

became the first out-of-region signatory of the Treaty of Amity and Cooperation in Southeast Asia⁴².

Adding to the bilateral and multilateral efforts, some unilateral action by China constitutes a kind of atypical diplomacy. These are the efforts to increase transparency to foreign audience. Beginning in 1991, the Chinese government started to issue policy white papers on issues of concern to other countries. Previously, such issues might have been judged too sensitive to reveal. In 1998, the government released its first white paper on national defense and has released ten such white papers so far. As of Dec 2012, a total of 83 white papers on various subjects have been issued⁴³. Moreover, China has also made a significant effort to facilitate the interaction between the Ministry of Foreign Affairs and the media, for example, they have increased the frequency of press conferences, while providing 24/7 access for the media⁴⁴. This increase of transparency obviously aims at reducing anxiety and increasing credibility.

During most of the post-Cold War period, China's diplomatic efforts have been received favorably throughout the world. However, state leaders often make decisions on a careful calculation of benefits. This would suggest that diplomacy itself would not be sufficient for changing the behavior of others. Other efforts involving the change of payoff structure should accompany the efforts in diplomacy. Words alone cannot gain the

⁴² Together with India.

⁴³ White papers of Chinese government. For a complete list, see http://news.xinhuanet.com/ziliao/2005-10/26/content_3685106.htm.

⁴⁴ "The History of the Spokesperson for the Foreign Ministry", accessed March 4, 2013. http://news.xinhuanet.com/world/2010-09/07/c_12528285_2.htm.

favor of policy elites. The next section will focus on economic statecraft, which is the most important source of influence for China.

3.2.2 *Economic Statecraft*

If the previous section focuses on the use of communication to alter intentions, then the economy provides material incentives for change. It is difficult to overestimate the importance of economic factors in the relation between China and the world, not least its East Asian neighbors. Such connection in economy has significant implications in the realm of politics. To prevent potential balancing behavior, China deliberately plays the economic card. On the one hand, it makes use of its fast growing economy and the story of the China market opportunity to show its good intention and attract peripheral states; on the other hand, the effect of the economic interdependence has impact (intentionally or unintentionally) on the society via the distribution effect of international trade and investment on domestic society. The former is the use of economic statecraft, and the latter affects the domestic politics of international business.

For a realist like Albert Hirschman, the idea of economic statecraft is to create unequal dependence in economic relations and thus to gain coercive power. However, economic statecraft usually has a bad name in international politics. Many analysts regard it as useless. However, David Baldwin rejects such disregard. He advocates a

reconsideration of economic statecraft and calls for a more fair and comprehensive evaluation of it.

Baldwin's main point is that we should evaluate the effect of economic statecraft within the general framework of the state's strategic thinking and compare it with other possible policy tools⁴⁵. In our discussion, China's strategic goal of avoiding being balanced, among other things, should be the chief framework for the analysis of its economic policy tools. Among China's various policy tools, economic cooperation with other states provides it the material structure for avoiding being balanced. As we have seen, the cultural approach proves to be of limited effect and needs a very long time. Diplomacy needs more fundamental support from mutual relations, as without more mutual beneficial interaction between two states, relations are built on sand. Military power would be of limited use unless balancing is already happening.

In his further analysis, Baldwin distinguishes expressive and instrumental behavior in foreign policy. Although the expressive perspective of economic statecraft is largely neglected in most research, Baldwin would stress that it is not meaningless—foreign policy “involves a degree of manipulation of symbols that is unmatched in any other political actions. Specifically, economic statecraft can increase the credibility of the threat, create a desired image for audiences, and function as an indicator of capacity and intention”⁴⁶. China's use of economic tools fits into this theory of expressive use of economic statecraft. During many state visits and multilateral meetings, agreements on

⁴⁵ David Baldwin, *Economic Statecraft* (Princeton: Princeton University Press, 1985)

⁴⁶ Baldwin, *Economic Statecraft*, 97-99, 102-6.

economic cooperation have occupied an important role. Contracts on goods and services are set forth; sometimes, aid is given out. For example, in Premier Wen Jiabao's visit to Thailand in 2012, China signed an agreement to buy rice from Thailand, which, at the time, was suffering from an extreme surplus⁴⁷. This seemingly economic agreement was actually political, as the rice issue was critical for the political future of Prime Minister Yingluck Shinawatra. It certainly gave credence to China's good intention, the central idea of its "good neighbor policy".

The most important economic cooperation in the past two decades between China and its East Asian neighbors is the free trade agreement between China and ASEAN, which was first proposed by Premier Zhu Rongji. Additionally, to avoid the shock to the economy of the least developed country in the region, China also offered special status to these countries, namely, the Early Harvest Program. It demonstrates China's intention to maintain regional order and promote mutual benefit. Moreover, China's effort during the Asian economic crisis of 1997 in maintaining the value of Reminbi and providing funds to stabilize the financial market no doubt increased the credibility of its good neighbor policy and its image as a responsible power. Add to these initiatives is the fact that China also competes with developed countries in providing aid to the less developed countries in the region. The expressive perspective of these examples of China's economic policy is consistent with its goal of reducing hostility and preventing balancing. And, to be sure,

⁴⁷ Sameer Mohindru, "China, Thailand Secure Rice Deals", *The Wall Street Journal*, November 25, 2012, accessed March 10, 2013.

<http://online.wsj.com/article/SB10001424127887324469304578142091171909654.html>

the occasional use of economic sanctions increases threat credibility, thus helping to resolve an issue before it escalates to an uncontrollable level.

China's use of economic statecraft changes the payoff structure of its neighbor states. The aforementioned policies not only express amity, but also offer tangible benefits for other states. Viewed as a whole, it includes trade, investment, and aid, to which I now turn.

Mutual trade between China and its East Asian neighbors has increased dramatically since the 1990s. The total value of trade between China and South Korea has increased by almost 34 times from 1992 to 2012⁴⁸, Japan by about 10 times between 1990 and 2010⁴⁹, Taiwan by about 12 times from 1990 and 2012⁵⁰, and ASEAN by almost 50 times from 1991 to 2012⁵¹. In fact, China has become the top trade partners for many of these countries. Besides the scale of the trade, the speed of growth can be more important, as fast growth makes mutual cooperation more lucrative, and a continuing amicable relationship more desirable.

The investment relationship is also significant. China used to receive most investment from the more developed states in the region, but with its growing economic power, it has started large investments in the region. In particular, China is the largest investor in countries like Cambodia and Myanmar.

⁴⁸ Data sources: Korea International Trade Association, calculated by the author.

⁴⁹ Data sources: ASEAN-Japan Centre, calculated by the author.

⁵⁰ Data sources: World Bank, calculated by the author.

⁵¹ Data sources: ASEAN-China Centre.

If for trade and investment, the government's role may sometimes seem to be more indirect, then it is with economic aid that we can see more clearly the use of a policy tool for the Chinese government. According to the white paper on Chinese aid to foreign states issued in 2011, China's aid is said to be for the purpose of consolidating the relationship with developing countries, taking its international responsibility and thus laying "a solid foundation for its long-term friendly cooperation with developing countries".⁵² China often claims its aid is provided without political conditions, unlike the west and some international organizations, which makes it more attractive to some developing countries. It is the biggest source of aid for Cambodia, Myanmar and Laos. Many other ASEAN countries also receive China's aid in the form of low or no interest loans that are subsidized by government funding, infrastructure building and personnel training, etc. China's aid in the region has helped it make some close friends which can serve as a "divide and rule pawn"⁵³. A recent example might be how Cambodia deferred to the Chinese position concerning the South China Sea issue in an ASEAN meeting held in Phnom Penh in 2012⁵⁴. Such behavior does help to prevent any collective action against China.

⁵² Information Office of the State Council, *China's Foreign Aid*. April, 2011, accessed March 10, 2013. http://news.xinhuanet.com/english2010/china/2011-04/21/c_13839683.htm.

⁵³ Sebastian Strangio, "Cambodia as divide and rule pawn", *Asia Times*, July 18, 2012, accessed March 7, 2013. http://www.atimes.com/atimes/Southeast_Asia/NG18Ae03.html.

⁵⁴ Prak Chan Thul, "China gives Cambodia aid and thanks for ASEAN help", Reuters, September 4 2012, accessed March 2, 2013. <http://www.reuters.com/article/2012/09/04/cambodia-china-idUSL4E8K41I320120904>.

Editorial opinion, "China aid pact alarms region", *Bangkok Post*, January 28 2013, accessed March 2, 2013. <http://www.bangkokpost.com/opinion/opinion/332920/china-aid-pact-alarms-region>; Milton Osborne, "New numbers on China's Cambodia aid", *The Interpreter*, September 19 2012, accessed March 2, 2013. <http://www.lowyinterpreter.org/post/2012/09/19/New-numbers-on-Chinas-aid-to-Cambodia.aspx>.

If effects of these efforts are more directly observable, the changes caused by the redistribution effect of the economic cooperation between China and its neighbors is harder to discern and predict. Some social groups would benefit from such cooperation more than other groups, and some might suffer loss. The biggest economic cooperation between China and its neighbors is the trade of goods and services. Two classic model of international trade, namely, the Heckscher–Ohlin model (H–O model) and the Stolper–Samuelson model (S-S model), tell us that sectors with abundant factor endowments would benefit from trade. According to their capacity and preferences affected by the change, they will try to influence politics in the direction favoring their own interests. When tension heightens, it is common to see the business elites try to lobby the government to tune down the conflict.

If China can build strong economic relations with its neighbors, this is the route to influence their domestic politics, especially policy towards China. If enough politically significant groups within a country maintain a good economic relationship with China, then this country is less likely to balance against China. Each country varies on this dimension, and this in turn contributes to the variety of attitudes and policies towards China.

In sum, economic policy tools can provide an opportunity to influence both the intention and capacity of a state, so these have become the most potent methods in China's anti-balancing strategy.

3.2.3 Military

Military might is often a direct source of threat, so to avoid arousing the perception of threat, the use of military power must be extremely guarded. In addition, China's military power still faces serious constraints and limitations, so it cannot be used in many situations. China learned its lesson in the mid-1990s during the Taiwan Strait Crisis. Such an aggressive stance earned China no benefit and only aroused grave concern from East Asia and the world.

For China, a better use of military power may be to use it to foster a positive impression. A joint exercise can help communicate information and intention. However, unlike its military relation with member states in the Shanghai Cooperation Organization, so far China has carried out only a small number of joint exercises with its East Asian neighbors. Moreover, most of the exercises that have been conducted were humanitarian search and rescue. However, China has participated in more traditional exercises. Since 2002, China has participated in Cobra Gold, the largest military exercises in the region held every year in Thailand, as an observer. It has held limited exercise with Thailand⁵⁵ and Indonesia⁵⁶, and plans to start navy drills with Indonesia in 2013⁵⁷.

⁵⁵ Ian Storey, "From Strength to Strength: Military Exercises Bolster Sino-Thai Relations", *China Brief* Volume: 12 Issue: 12, June 22, 2012.

⁵⁶ "Indonesia, China to strengthen defense cooperation", *the Jakarta Post*, March 23, 2011, accessed March 9, 2013. <http://www.thejakartapost.com/news/2011/03/23/indonesia-china-strengthen-defense-cooperation.html>.

⁵⁷ Satya Festiani, "Indonesia, China enhance joint military exercise", the *Republika Online*, January 13, 2013, accessed March 9, 2013. <http://www.republika.co.id/berita/en/national-politics/13/01/13/mgkj3v-indonesia-china-enhance-joint-military-exercise>.

Military aid can be regarded as an indirect use of military power. Military aid can facilitate the building of a relationship between the armed forces of two countries. Receivers of Chinese military aid in the region include Myanmar, Thailand, Laos, Cambodia and Indonesia. When these countries cannot seek military aid from the U.S., China becomes the alternative, and China is more than willing to provide the aid. In 2006, when a coup occurred in Thailand, the U.S. suspended assistance to Thailand, but China offered to double its military assistance and provided more than enough to offset what was lost from the U.S.⁵⁸. China also accepts Thai payment for its weapon purchases from China with agricultural products.

The military connections between China and East Asia are limited in scale and should have limited effect in reducing the balancing potential in most countries.

3.3 Constraining Factors

After surveying China's policy tools to reduce the possibility of being balanced, the next question would be, can they continue to be effective in future? In other words, will the region continue to underbalance China? During previous discussion, I have mentioned several limitations of different policy tools. However, some constraining factors on China's manipulation of these tools have been left out. So the following

⁵⁸ Walter Lohman. "Reinvigorating the U.S.–Thailand Alliance", the Heritage Foundation, September 28, 2011, accessed March 15, 2013. <http://www.heritage.org/research/reports/2011/09/reinvigorating-the-u-s-thailand-alliance>.

section will introduce these factors. All of these suggest a fragile peace requiring careful maintenance.

3.3.1 *The Conflict of Goals*

A more realistic understanding of international politics would tell us that states pursue multiple goals at the same time. China is also seeking a variety of goals on the international stage, and sometimes these goals might conflict with each other. For example, the benign policy stance might conflict with the nationalist sentiment of honor.

Economic development and advances in information technology have generated profound changes in all modern societies, not least that of China. Economic development has diversified the interests of Chinese society, each of which favors different policy outcomes. More actors have joined the policy process with different political influence⁵⁹, and even private actors have begun to influence foreign policy, for example, Chinese transnational companies. Military and business elites, who used to be excluded from the policy process, have gained a rising influence.

Furthermore, the past decade has witnessed the transformation of China into an information society. According to the report issued by China Internet Network Information Center (CNNIC), from October 1997 when they issued their first report, to

⁵⁹ Linda Jakobson and Dean Knox. *New Foreign Policy Actors in China*. Stockholm International Peace Research Institute (SIPRI), 2010.

Jan 2013 when the 31st report came out, the total number of internet users has increased from 620,000 to 564 million. In urban areas, 57.3% of the population have been regular internet users and in big cities like Beijing, Shanghai and Guangzhou, etc., the percentage is even much higher. The vast growth of people connected to the internet and social network has weakened the control of government over information and ideas. It simply breaks the state monopoly of ideas and information.

Adding to the proliferation of information is China's integration to the world economy, especially considering exports occupy such important place in the Chinese economy. Consider the dilemma: exports are critical for the Chinese economy. Yet the same opportunity challenges the government control over information and society because of the connectedness it brings.

Understanding and knowledge of the Western world have increased not just for the intellectual but also for average people. The general public has become more and more "informed". Information and knowledge have set them free from the official doctrines. Thus, it is not surprising that Shambaugh can record the blossoming of a range of different ideas on international issues in China. People with different ideologies now set different goals for the state.

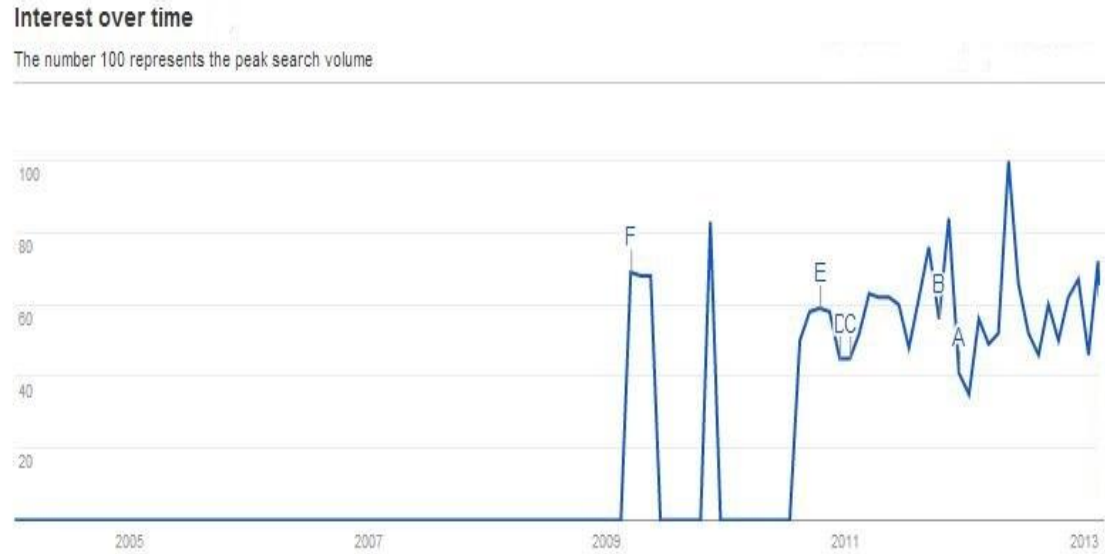
Among these chorus of voices, nationalism might be the one that challenges most the current foreign policy as China's power grows. Recently, when questioned about the aggressive Chinese behavior in the disputes with Japan over Diaoyu/Senkaku Island, the spokesperson for the People's Congress replied that the people wanted the government to

be tougher⁶⁰. Can the party-state regime ignore voices from the public? Not anymore. The internet provides not only an outlet of information, but also a better chance to form the voice of a seeming people's will and reduce the cost for collective action. Beyond these, there exist myriad social movements that have been seen a major threat to social stability. If nationalism continues to find expression in China's foreign policy, it would be counterproductive to state efforts to play down China as a threat and to mitigate the felt need to balance against China. Unchecked nationalism has shown how perverse it can become when combined with a rising power, as exemplified by Germany and Japan before two world wars.

Another salient and related issue is territorial disputes. The goal to maintain a benign image and the effort to seek new sovereign acquisitions are largely inconsistent. The disputes in the South China Sea and Diaoyu/Senkaku Island after 2010 contribute significantly to the widespread impression of an aggressive China. Using data from Google after 2010, the keywords, "China" and "aggressive" remain at high levels in global media. Since 2010, China has been in a heated dispute with Japan, Vietnam and Philippines. It gives the impression that China has or will soon give up its commitment to Deng's maxim.

⁶⁰ Ying Fu, "Confronting Offense: Chinese People Asks the State to be Tougher", China News, March 4th, 2013, accessed March 15, 2013. <http://www.chinanews.com/gn/2013/03-04/4612665.shtml>.

Figure 3.4 Google Trends of "China Aggressive"



3.3.2 False Beliefs

When discussing the sources of strategic mistrust in the relationship between China and the U.S., David Lampton specifically mentions the danger of overestimating the power of China and underestimating the power of the U.S. Both could lead to aggressive behaviors⁶¹. In the case of China and its peripheral states, a similar problem exists, especially between China and Japan. The story of China's rise has been told by the media for decades, especially the internal propaganda effort to praise the achievements of China's modernization to shore up domestic support. China's self-estimate of national power could be overly optimistic.

⁶¹ David M Lampton, "Power Constrained: Sources of Mutual Strategic Suspicion in Us-China Relations." *NBR Analysis* 93 (2010): 5-25.

As mentioned before, realism is the prevailing ideology in Chinese analysis of international politics. The combination of an overestimate of power and power politics thinking, could drive the state to require more accommodating behavior from small states, especially when the historically superior status in the region is desired for by Chinese nationalists. This is not without notice from China's neighbors. The veteran politician Lee Kuan Yew of Singapore, in his latest remarks about China, complains, "many small and medium countries in Asia are concerned. They are uneasy that China may want to resume the imperial status it had in earlier centuries, and have misgivings as being treated as vassal states...China tells us that countries big or small are equal, that it is not a hegemon...But when we do something they do not like, they say you have made 1.3 billion people unhappy. So please know your place."⁶²

Such a mindset as Lee describes will fuel perception of threat. The arrogance that arises from false beliefs of power would be a disaster for the state seeking understanding and benign intentions from others. The concept of Chinese national rejuvenation is alarming to others in the region, burdened heavily by history. An overestimation of China's power might mislead the government to give up the prudent policy stance.

⁶² Rowan Callick, "Be wary of rising China, says Lee Kuan Yew", *The Australian*, Feb 19, 2013, accessed March 15, 2013. <http://www.theaustralian.com.au/news/world/be-wary-of-rising-china-says-lee-kuan-yew/story-e6frg6so-1226580633266>.

3.3.3 *China's Domestic Political and Economic Development*

Many specialists comment on how China's political power transition might influence its foreign policy. Elites might play the card of nationalism to gain more popularity from domestic audiences (especially, the military) and increase leverage in the power struggle, so it would often lead to aggressive policy. The manipulation of the external threat can also be used for establishing domestic authority and to start reforms⁶³. However, the influence of power transition is temporary, and when it is finished, the new leaders have no need to continue the aggressive politics⁶⁴. Rather than creating problems by aggressive policy, they would likely return to the assuring policy. China was aggressive in the mid-1990s, but when Deng died, and Jiang stabilized power, China entered the best period with its neighbors. Yet uncertainty still exists whether the new leader can control different power sectors.

As discussed in the previous section, the economic structure of the region is the material basis for underbalancing. Without the benefit created by China's economy, China's neighbors would view China as a pure threat and balance against it. This requires China to maintain its economic development and openness. However, with the

⁶³ Xi is said to be doing this after he took power as the general secretary of the party. John Garnaut, "Fears Xi's push on Japan poses showdown risk", *the Sydney Morning Herald*, March 16, 2013, accessed March 16, 2013. <http://www.smh.com.au/world/fears-xis-push-on-japan-poses-showdown-risk-20130315-2g63g.html>.

⁶⁴ In the National People's Congress of 2013, General Liu Yuan, who was famous for his hawkish attitude towards Japan months ago, remarked that the most recent dispute with Japan was a matter of face, indicating the skirmish was unnecessary and irrational. See David Lague, "Under Xi, China seeks to cool row with Japan over islands", *Reuters*, March 16, 2013, accessed March 18, 2013. <http://www.reuters.com/article/2013/03/16/us-china-japan-military-idUSBRE92F0EH20130316?feedType=RSS&feedName=topNews>. In this Congress meeting the new leaders took over power and finished the power transition. Such change of attitude seems to support my point here.

accumulation of negative factors⁶⁵ in the economy, it is harder and harder to sustain high growth economic development.

3.4 Conclusion

From China's anti-balance strategy and policies after the Cold War, one can see that, in terms of real world politics, a rising state would react to its potential balancers with multiple policy efforts. The multipronged interaction could have significant impact on outcomes, as we will see more clearly in following chapters. It is a large omission for neoclassical realists for not researching from the perspective of the state being balanced. The agency of a state should not be underestimated. From the perspective of the balanced, the outcome of being balanced is not some kind of predetermined fate. To the contrary, it can be avoided, at least postponed, with proper policies.

⁶⁵ For example, after the stimulus package designed for the 2008 economic crisis, local governments accumulated huge amounts of debt, labor costs were hiking sharply and consumption was too restrained.

CHAPTER 4

TWO TIGERS IN ONE MOUNTAIN: CHINA INTERACTING WITH JAPAN

In China, there is an old proverb saying that there is no way that two tigers can live (peacefully) together in the same mountain, as one would always try to dominate the other. In the mountain that is East Asia, China and Japan could take on the role of tigers and lock into conflict, as they sometimes did in the past. In fact, this is the scenario envisioned by many realists. After the Cold War, the rise of China was seen unstoppable. At the same time, although the stagnation of its economy seems to be a long-term struggle, Japan has remained the largest economy in East Asia for most of the post-Cold War era until recently. The appearance of two regional great powers in East Asia at the same time has become a reality, and observers do not fail to see that this is in fact the first time in history both China and Japan are great powers simultaneously¹. In pre-modern society, China often dominated the region, while in the modern era, Japan has led the region in terms of national power. When two roughly equal powers seek security against each other, the logic of security dilemma and balance of power could soon dominate the regional dynamic.

With the advantage of hindsight, however, one can see that the realist logic seems not to have fully dictated the relationship between China and Japan. Japan seems to underbalance China, though the trend to balance might be picking up gradually, when

¹ Michael Green. 2006. "Japan's Relationship with Its Neighbors: Back to the Future?", hearing before the Committee on International Relations, House of Representatives, 22.

China is viewed by the world as increasingly aggressive. The reality of underbalancing, coupled with the trend to increasingly balance problematizes the various theories discussed in chapter 2. Neoclassic realism about underbalancing provides some insight for understanding, as Japanese society is undergoing profound changes, departing from the postwar system. These changes make it difficult to concentrate resources to balance against China. However, the inward looking nature of such explanation is inadequate, as the interaction between China and Japan and China's policy should not be ignored.

In this chapter, I will examine how China's policy and the interaction between China and Japan contribute to the underbalancing and the trend of increasing balancing. The first part of chapter will provide some historical background of China-Japan relations from ancient times through the end of the Cold War. Then, I will evaluate the realist vision of the mutual relationship. Thereafter, I will focus on how China's policy towards Japan and the interaction between the two influence Japan's China policy. At the end of the chapter, I will discuss prospects for the mutual relationship.

4.1 Two Neighbors Separated by a Strip of Water

In describing the relationship between China and Japan, top leaders from both sides often start with the expression that the two countries are neighbors separated by a strip of water. The geographic proximity of the two countries has shaped the interaction of the two countries from the very beginning.

The history of the relationship can be traced back more than 2,000 years, when the first immigrants from China and Korea brought their agricultural civilization and culture into the island. In ancient times for Chinese, Japan was in their myths, including the mystical trip of Xu Fu, who was forced into the East China Sea by the first Emperor of China. His goal was to seek the elixir for eternal life, but eventually he ended up settling down in Japan². Nowadays, many places in Japan still honor Xu Fu, who allegedly brought civilization to Japan. The first historical evidence of political interaction between the two was in 75 A.D. during the West Han Dynasty, when China's emperor conferred a seal on one of Japan's principalities³.

Despite the first military confrontation in their history of interaction, the height of the interaction between the two countries occurred during the Tang Dynasty, when Japan sent several envoys to China who returned with knowledge of Tang institutions, culture and technology. The political disintegration and war in the latter Tang period prevented the interaction between China and Japan until a new unified dynasty, the Song, was established. Especially during the South Song Dynasty, trade between the two countries underwent significant development. Later at the time of the Ming Dynasty, the two countries engaged in a serious military confrontation⁴. It resulted in a military debacle for Japan in the Korean peninsula, and the subsequent seclusion policy of both countries

² Xiangrong Wang. *GuDai Zhongguoren De Ribenguan (The View of Ancient Chinese on Japan)* (Shanghai: Shanghai Ancient Works Publishing House 2006)

³ Wang, Zhenping. *Ambassadors from the Islands of Immortals: China-Japan Relations in the Han-Tang Period* (Honolulu: University of Hawaii Press, 2005), 9

⁴ The Yuan dynasty made several attempts to conquer Japan but failed due to Typhoon. But the Yuan dynasty was built by Mongolians, and so in a strict sense the war between Yuan and Japan should not be considered as between China and Japan.

limited the scope of the mutual relationship⁵. The cold status of their interaction lasted until the onset of the modern world, spurred by the Western colonial powers.

Researchers often argue that the regional order in ancient East Asia was a hierarchical system with China on the top. David Kang even goes further to suggest that such hierarchic structure was the key to regional stability and was appreciated by the region. For Kang, East Asia's future is to go back to such a past. The historical reality, however, was more a myth than truth. No doubt China did enjoy some advantages in certain periods, but the history was more complicated than a hierarchic structure can explain. One author describes it as "multipolar", as new actors in the region rose and challenged, even conquered China, while some other players were never really subservient to China. For example, Japan was reluctant and even refused to accept the supreme status of China in the world. Before Japan's unification, small principalities were seeking China's recognition to increase their domestic legitimacy and thus increase their chance to emerge supreme in their civil wars. When Japan integrated, the new state learnt everything they could from China, including the mindset of putting themselves at the center of the world. When the emperor in Japan sent a letter to the newly unified regime of Sui Dynasty, he called himself the son of heaven in the sunset place, and the emperor of Sui the son of heaven in the sunrise place. Of course, the Chinese emperor was outraged, because in the Confucius tradition only one emperor, the one ruling the

⁵ David Kang argued that even during the seclusion period, the scale of trade between China and Japan was still considerable, even more than today. However, considering the hostile attitude towards commerce and business, it is hard to believe the societies were dependent on trade to the extent Kang describes. See Kang, David. *China Rising: Peace, Power, and Order in East Asia* (New York: Columbia University Press, 2007)

middle kingdom, could be called son of the heaven. However, even at the height of Chinese power, the Tang Dynasty, the Japanese emperor still tried to maintain its equal status with China. The secret was a game of words via translation. Both sides interpreted the words to their own advantage and thus kept their own pride⁶. In fact, the ancient Chinese language had no alternative to hierarchical relations. Messages from peripheral countries were always translated to show that China was the center of the world.

Only in view of the above can we make sense of Japan's war with the Ming Dynasty in the Korea Peninsula, since if China's status and the hierarchical order was taken for granted, it would be unthinkable for Japan to wage such a war. The war halted the expansionistic ambition of Japan and to a large extent the interaction between the two countries until the time of Meiji. Then, the rapid transformation of Japan into a modern country gave it an advantage over China for the first time in the late 19th century. It was both a shock and a humiliation for China to lose the first Sino-Japanese War in 1895, as China regarded itself as the unrivaled leader in the region.

The success of Japan's modernization attracted a large group of reform-minded Chinese to travel to Japan, where they found a base for the eventual overthrow of the Qing Dynasty. Such interaction between the civil societies did not produce constructive political relations between the two powers as expansionist Japan tried to exploit the weakness of China. Conflict and war between China and Japan persisted for half a century and finally escalated into a total war, which inflicted tremendous suffering and loss on the Chinese. The history of conflict and horrendous suffering became a potent

⁶ *Ambassador from the Islands of Immortals*, 217

source of the lasting hostility that endures till today, even after more than half a century. Reconciliation in the aftermath of World War II was hindered by the start of the Cold War and the hostility and struggle between the two governments representing China after the civil war of the 1940s.

However, the isolation of the newly established PRC and the shadow of the Cold War did not completely halt the interaction between China and Japan. Even before the normalization of the relationship, there was limited economic and political interaction between the two countries, though China deliberately chose those Japanese it thought were friendly to China to establish mutual relations. On the Japanese side, the most influential post-WWII Japanese prime minister, Shigeru Yoshida, did not give up on China as he saw the need to engage China, if for no other reason than its potential importance to the Japanese economy⁷. Moreover, Yoshida predicted the alliance between China and the Soviet Union would not last, given the incompatibility of Chinese culture and communism⁸. Yoshida's judgment and prediction proved to be insightful and accurate. The common threat from the Soviet Union finally led China and Japan to normalize their relations, immediately after the China-U.S. détente. The years following the normalization were the best years of their mutual relationship, which eventually led to the establishment of diplomatic relations and the signing of a treaty of friendship. The

⁷ Mitcham, Chad. *China's Economic Relations with the West and Japan, 1949-1979: Grain, Trade and Diplomacy* (London: Routledge, 2005)

⁸ Johnson, Chalmers. "The Patterns of Japanese Relations with China, 1952-1982." *Pacific Affairs* 59 (1986), 403

bipolar structure of international society provided a strong incentive for both to cooperate against the Soviet Union, siding with the United States.

At the same time, the economic incentive was also strong for improved relations. While China was mired in domestic political chaos for the first three decades after its establishment, Japan had risen from ruins to become the second largest economy in the world. China was in desperate need for external assistance when it launched an ambitious plan to modernize its economy, while Japan sought for alternative sources of energy and raw materials in China following the oil crises in the 1970s, thus providing more opportunities for mutual economic cooperation. In addition, official development assistance from Japan was granted to China from 1979 to 2008. This assistance from Japan gave a significant boost to China's economic takeoff after the devastating Cultural Revolution⁹. As a result, the relationship between China and Japan generally went smoothly in the 1970s and 1980s despite some setbacks caused mainly by Japan's trade surplus and historical issues.

But the tectonic change in the international system in the late 1980s and early 1990s sowed the seeds for change. The Tiananmen incident led to the sanction and isolation of China by the developed countries. Japan also joined the international sanctions against China by suspending aid and high-level contacts, though not without reluctance. However, Tokyo insisted on continuing engagement with China; in time, this helped to lift the sanctions imposed on China. China also used its relations with Japan to

⁹ Japan's economic assistance has been recognized by multiple bilateral political documents; however, it is rarely acknowledged within Chinese society.

break the encirclement of the West, for example, inviting Emperor Akihito for the first-ever visit of a Japanese emperor to China in 1992, which signaled the peak of bilateral relations.

Coinciding with the collapse of the communist world, the Japanese economic bubble burst in 1990 and was followed by a decade long recession, from which the country has been struggling to recover ever since.

Compared to Japan's lackluster economic performance, China quickly recovered from the political and economic setbacks of the late 1980s and early 1990s, and its economy took off on a trajectory of fast growth. China's economic output soon became comparable and eventually passed Japan, second only to the U.S.

Such changes in the international environment, as well as national and domestic conditions, have influenced China-Japan relations. These changes have also given rise to new discussions about the relationship. In the following section, I will discuss the mutual relations from the neorealist perspective, and balance of power in particular.

4.2 Power Configuration and the China-Japan relationship

Power constitutes the heart of realist analysis of international relations. For neorealists, power configuration among states determines their relations. In the case of China and Japan, realists would argue that the respective power of China and Japan determines their policy towards each other. Specially, in neorealism, "power" means only

the material power. So, at first, we will compare the factors of material power of both countries. Waltz identifies the elements of power as consisting of “all of the following items: size of population and territory, resource endowment, economic capability, military strength, political stability and competence.”¹⁰ Thus, in order to understand the relationship from a neorealist perspective, a comparison of China and Japan in terms of these elements is necessary.

Size of Population and Territory. Comparing China and Japan’s population and territory, the raw numbers alone can tell a story (see Table 4.1). According to the CIA World Factbook¹¹, China’s territory is about 25 times larger than Japan, and the population of China is a little more than 10 times that of Japan as based on the estimate of July 2013. Looking further, a calculation of the potential labor or military force (age group 15-55), which is the most relevant in power comparison, the gap between China and Japan further expands to 13.7 times larger. Japan has a more educated and better-trained workforce—the result of its economy having been developed for a longer time. However, China is quickly catching up, and its college graduates in recent years have outnumbered all other countries, including Japan. Additionally, even though China and Japan both suffer from a rapidly aging population, the problem for Japan is more serious than for China. As a result of all these points of comparison, China is far ahead of Japan in terms of population and territory.

¹⁰ Kenneth N. Waltz, *Theory of International Politics* (Reading, MA: Addison-Wesley, 1979), 131.

¹¹ Original data used here can be found through <https://www.cia.gov/library/publications/the-world-factbook/>.

Table 4.1. Population and territory of China and Japan

	China	Japan
Territory	9,596,961 sq km	377,915 sq km
Size of Population	127,253,075	1,349,585,838
Percentage of population between 15-55	62.1%	48%

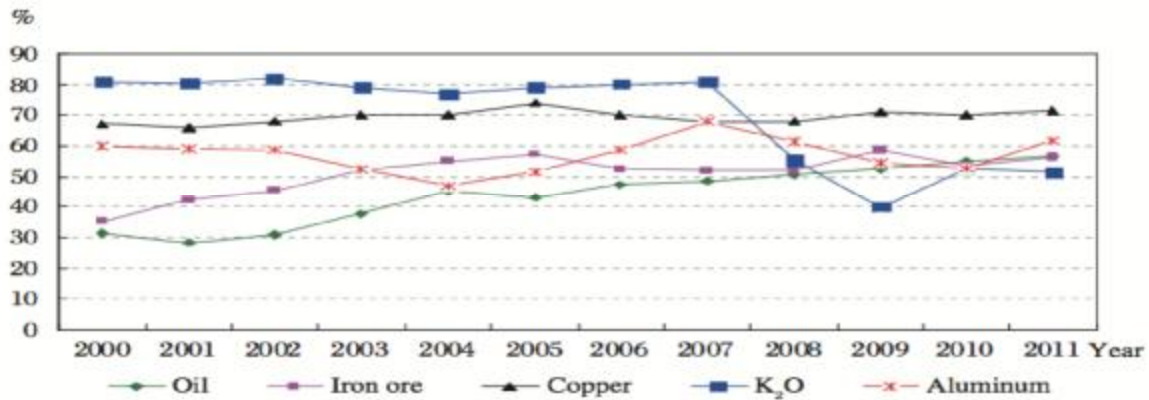
Source: CIA World Factbook

Resources Endowment. Japan is among the poorest countries in terms of natural resources necessary for a modern economy. For nearly all of its energy and mineral resources, Japan must rely on imports. For example, 99.6% of its oil and 96.4% of the natural gas Japan uses are from imports, while 100% of copper and 98.8% of zinc comes from overseas suppliers¹². The reliance on foreign resources makes Japan's economy vulnerable. In fact, this weakness was one of the most important reasons for its imperial expansion before World War II. In contrast, China, thanks to its large territory, harbors huge reserves of various kinds of essential natural resources, though, it too, has increasingly relied on overseas resources as the economy has developed. So while it is true that China has to import significant amounts of natural resources (see figure 4.1), at the same time it is also a major supplier of many other natural resources. For example, China is the largest exporter of rare earth, which it was reported to have manipulated to force Japan to release the detained Chinese fish boat captain during the dispute over

¹² Data is cited from Japan Bank for International Cooperation, <http://www.jbic.go.jp/en/special/resource/001/index.html>.

Senkaku/Diaoyu Island in 2010. So, in terms of resource endowment, China is in a much better position.

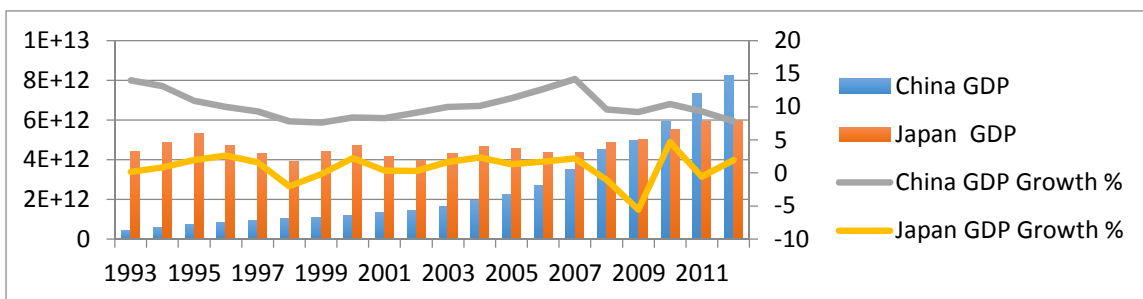
Figure 4.1. External Mineral Resources Dependence of China



Source: China Mineral Resources 2012, 38

Economic Capability. For economic capacity, I will examine the current status and potential for economic development of both countries. As the balance of power is future-oriented, i.e., states are considering the potential threat in the future and making adjustments to deal with it now, the potential for economic development might weigh more than current economic capacity. Simply put, the current status of the economies of China and Japan can be summarized in a sentence: China is a faster growing and bigger economy, while Japan's is a more advanced economy.

Figure 4. 2. China and Japan's GDP and Growth Rates over the Past Two Decades



Source: World Bank

During the past two decades, quickly recovering from the severe setbacks in the late 1980s and early 1990s, China has been in the fast growing track, exceeding expectations. Some scholars once wrote that China might surpass Japan by 2020 in terms of Gross Domestic Production if it continued its pace of growth¹³. However, in reality, China passed Japan in 2010. The graph of the GDP and growth rate of China and Japan are quite illustrative (see Figure 4.2).

In 1993, China's GDP was still a small portion of that of Japan, and even at 2005, China's economy was still only about half of Japan's. However, in 2010, China passed Japan. Even now, with China's growth rate lowered to the range of 7-8%, it is still significantly higher than most of the world's economies. By contrast, Japan's GDP in the past two decades increased only by a small percentage.

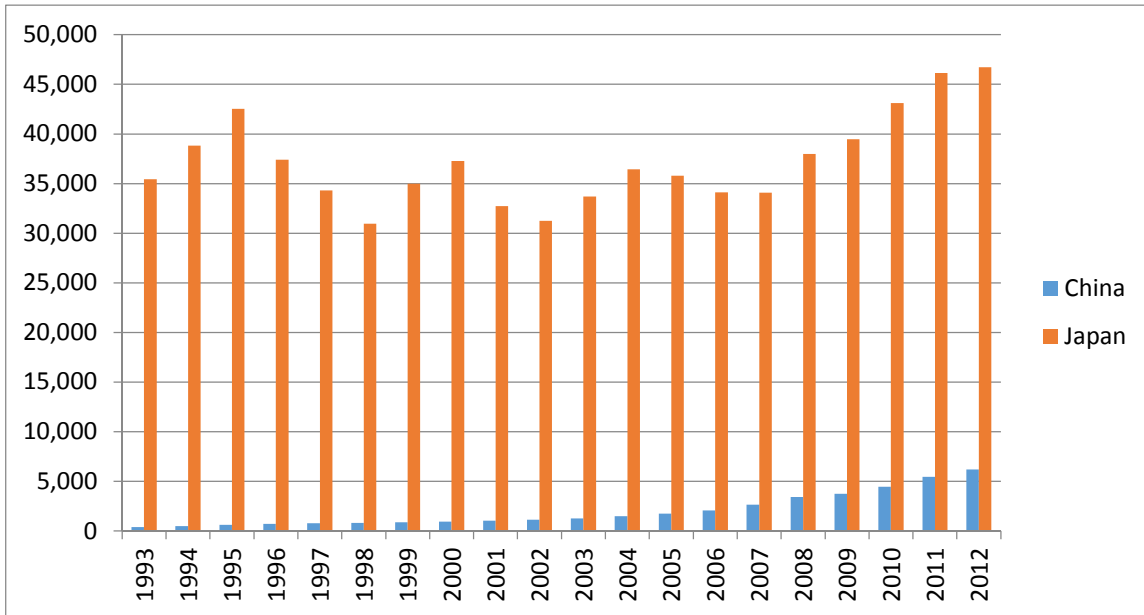
However, what is not reflected in the graph is the quality and structure of the economy. Japan has one of the most technologically advanced economies in the world. The level of development is more difficult to quantify and compare than the size. However, the GDP per capita might be a good index for measuring the level of development of the economy, because it measures how much economic value an individual on average can produce¹⁴. The individual output better represents the level of economic development, sophistication of technology, and productivity. The gap of GDP

¹³ Hanns-Günther Hilpert, and René Haak, eds. *Japan and China: Cooperation, Competition and Conflict* (Basingstoke: Palgrave, 2002), 7

¹⁴ It is an exception to this general statement if the country's high per capita GDP is built on natural resources, like those oil-rich small states.

per capita is still large between China and Japan, with Japan's approximately 8 times that of China (See Figure 4.3).

Figure 4. 3. Per capita GDP of China and Japan from 1993-2012



Source: World Bank 2013

The potential of both economies is different but in favor of China. China's growth still can outpace Japan's, especially as the state continues to invest heavily to upgrade its economy. Even though some authors express serious doubt concerning the further growth of China's economy¹⁵, more institutions and researchers remain optimistic, predicting that China will at some point surpass the U.S. as the largest economy. As Nobel laureate Robert Fogel argues, China has potential to grow its economy further, like the heavy investment in education, "the continued role of the rural sector", underestimated service

¹⁵ For example, Mingxin Pei (Mingxin Pei. *China's Trapped Transition: The Limits of Developmental Autocracy*. Harvard University Press, 2009.) and Paul Krugman (Krugman, Paul. "Will China Break?". *The New York Times* 18 (2011).

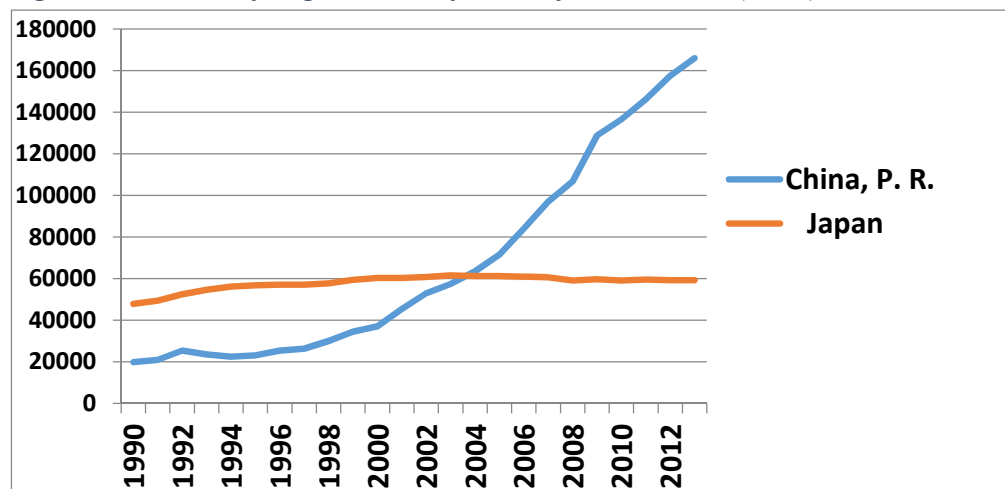
sector and refining the policy process¹⁶. While Japan has already reached a high level of economic development and the demographic structure is adverse to its growth, China's potential for continuing growth might be a legitimate concern for Japan if realism is right.

Military Strength. Similar to economic capacity, in military strength, China is bigger in size, while Japan is generally more advanced in military technology and equipment. In fact, Japan has one of the most technologically advanced militaries in the world. Even though the peace constitution and the Yoshida doctrine limited military investment (see Figure 4.4), Japan has still built a formidable force in the region. In comparison, China started its military modernization from a much lower point, but has maintained double-digit growth for decades, which has given rise to the second largest defense budget in the world (see Figure 4.4). Besides a larger budget, China is also a nuclear power. China is also building carrier battle groups. According to the Global Firepower ranking, China is ranked 3rd in military power, after the U.S. and Russia. By contrast, Japan ranks 17th¹⁷. In the foreseeable future, China will continue to beef up its military power. According to leaked diplomatic documents, Japan pays close attention to China's military spending and modernization.

¹⁶ Fogel, Robert. "\$123,000,000,000,000: China's Estimated Economy by the Year 2040. Be Warned." *Foreign Policy* 177 (2010).

¹⁷ Global Firepower Ranking. They look at over 40 different variables. See <http://www.globalfirepower.com/>.

Figure 4.4. Military expenditure by country, in constant (2011) US\$ m., 1990-2012



Source: SIPRI

Political Stability and Competence. Despite the Chinese government's or the Chinese Communist Party's (CCP) notorious reputation for its record on human rights and democracy, it is hard to deny that it is resilient to changes and shocks and somehow competent to develop the nation's economy and lift its population out of poverty. The professional bureaucratic system controlled by the CCP rules the whole country. After the passing of the revolutionary leaders, the bureaucratic system dominates the country in a thoroughgoing way unprecedented in Chinese history. In ancient China until Deng's death, the one leading the country had been determined not by a bureaucratic institution but from something superior, such as "the mandate of heaven" or revolutionary experience. A merit-based bureaucracy provides strong incentives for officials to maintain stability and develop the economy. The increasing professionalization of the bureaucratic system also refines the policy making process, symbolized by the multiplication of think tanks and the interaction between government officials and experts, especially economists. The government is so powerful that it can mobilize tremendous resources and invest in areas deemed necessary. The competence of the

Chinese government, excluding democracy and human rights issues¹⁸, should not be underestimated. From a realist perspective, such powerful government is even more dangerous as it can invest more freely in military buildup and an expanding army.

If the balance of power theory is explanatory as Waltz claims, China would be a target for Japan to balance, as the tilt of power is increasingly favoring China. However, such an approach based exclusively on material power, is often criticized for its insufficiency for understanding foreign policy. Following Walt, I will take into account factors identified by him into the balance of power formula. For Walt, in determining balancing behavior, aggregate strength (size, population, and economic capabilities), geographical proximity, offensive capabilities, and offensive intentions are all important. States do not balance against power, but rather balance against threat.

Aggregate strength. As detailed above, the aggregate strength of China is comparable to Japan's, if not overwhelming. Worse for Japan, China in the future might gain larger and larger advantage over Japan, regaining a posture that was dominant for

¹⁸ Such a system is notoriously difficult for democratization, as the system can be so inclusive that it can co-opt the majority of all dissidents (Barbara Geddes. "What Do We Know About Democratization after Twenty Years?". *Annual Review of Political Science* 2, no. 1 (1999): 115-44.). The CCP has over 80 million members, which means it can also absorb most social elites to prevent the increase of dissidents. Of course, it is possible that citizens managing to challenge to system can outgrow the potential of the system to co-opt, such as the fast spread of higher education might induce. However, the best groups of those graduates are mostly in the system rather than against it. One might wonder why Soviet system still collapsed when it could co-opt dissidents. The problem of the Soviet Union might have been its economy system, which simply could not support the society materially. The combination of one party rule and market economy could be much more powerful, even though many believe political democratization would naturally grow out of economic development and growth of middle class.

thousands of years. Even some Japanese politicians argue that Japan should identify itself as a middle power¹⁹.

Geographic proximity. The expression of “two neighbors separated by a mere strip of water” vividly describes the geographic closeness of the two countries. Just as Mersheimer said, water stops great power. In the past, the strip of water between China and Japan constituted a substantial barrier for military action, as evident in the failure of Mongolia to conquer Japan. With modern technology, the width of the East China Sea is too narrow to continue to restrain military ambition. Thus, China and Japan fought an all-out war in the twentieth century. This geographical closeness can also be a source for increasing threat perception. As the two are close to each other, more accidents are possible due to increasing interactions and disputes.

Offensive capacities. If the offensive capacities are understood loosely as the capacity to attack Japanese valuable targets, China has achieved certain such capacity and is building up more at a fast pace. According to a U.S. report, “China has the world’s most active land-based ballistic and cruise missile program...the PLA navy has an extensive submarine program.”²⁰ Missiles and submarines can both pose direct threat to Japan. In 2004, there was one Han-class nuclear submarine intruding upon Japanese water; it was actually detected by Taiwan and later reported to Japan²¹. The incident

¹⁹ Kang, *China Rising*, p.164. Akiko Fukushima said, “most Japanese politicians and policy makers know that we cannot compete with China or the U.S. We know that we actually a middle power and we are just crying to come to terms with that...”

²⁰ Shirley Kan. “Memorandum: China’s Military and Security Developments”, *Congressional Research Service*, Jan 20, 2011.

²¹ 04TAIPEI3742: 8.

suggested that China had the capacity to sneak into Japanese water without detection by the Japanese defense system. China is also a nuclear power, stocking a significant number of nuclear weapons, even though far less than the U.S. and Russia. China has also been carrying out comprehensive programs to modernize all of its military forces, notably the navy. The PLA navy already possesses one aircraft carrier, and is building several more²². It now regularly conducts exercises into the Pacific. China is also developing its fifth generation jet fighter. Adding to this, China continues large military procurement from Russia, including fighters, destroyers, and submarines. The balancing strategy not only looks at current status but also looks heavily into the future. As a result, even a cautious realist could not overlook the aggressive capacities of China.

Offensive Intention. The bitter memory of the past informs the deep-seated suspicions in Sino-Japan relations. One indicator of such suspicion is the hypersensitivity and over-interpretation of each other's behavior. China often links current Japanese behavior with Imperial Japan, and is ever on the alert against the potential of Japanese remilitarization. The suspicion by China towards Japan inevitably adds fuel to the China threat theory in Japan immediately after the end of the Cold War. China's increasing nationalist sentiment also aggravates Japan's suspicion. While China worries about a remilitarized nationalistic Japan, Japan worries a nationalistic China will be more and more aggressive and hostile. The enthusiasm for nationalism in China has become an alarming indicator for its future behavior, for which an offensive intention is hard to

²² Pete Sweeney. "China to Build Second, Larger carrier: Report", *Reuters*, April 23, 2013, accessed September 24, 2013. <http://www.reuters.com/article/2013/04/24/us-china-navy-carrier-idUSBRE93N00Q20130424>.

exclude. Even if Japan is confident about China's currently lack of offensive intentions, there is no guarantee that as Chinese power grows and nationalist sentiment occupies minds and hearts, China would refrain from direct conflict with Japan.

Several incidents over the past two decades also cause for concern. China carried out nuclear tests in 1995 despite the strong protest of Japan. In reply, Japan even suspended the free official development assistance program to firmly register its displeasure. The Taiwan missile crisis also increased antipathy toward China. Later, in the first decade of the new century, more Chinese military activities have been detected in the vicinity of Japan. Submarine intrusion in 2004 and an anti-satellite test of 2007 sent bad signals to Japan. The disputes over the East China Sea are also increasingly intense and push the two countries into a highly alarming situation. The lack of transparency in China's fast rising military spending is also an issue that makes Japan nervous. Just as Denny Roy said, "China and Japan are natural rivals...The legacy of the Pacific War has reinforced the security dilemma, causing the two states to interpret all military activities by the other as offensive threats."²³

In sum, when viewing the two countries from the balance of threat perspective, Japan still has ample reason to worry about China and balance against it. As noted previously, balancing is for the future, not just a matter pertaining to current status. If the time horizon is expanded, Japan has even more to worry about as China is in the process

²³ Roy, Denny. "Hegemon on the Horizon?: China's Threat to East Asian Security." *International Security* 19(1994), 163-5

of fast realizing its potential. If Japan behaved as realists expected, it should have balanced against China already.

4.3 *Japan Balancing China: Failed Prediction or Reality?*

The prior section portrays a broad picture of the power configuration of China and Japan in the region. China enjoys advantages in some aspects, while Japan certainly has the capacity to compete against China, at least in the near future. So, if realism's notion of balance of power is correct, Japan can be both an internal and external balancer: it can either build up its military power or ally with other states, or do both at the same time, to balance against China. However, in reality, Japan is not balancing against China as expected. Instead, Japan is underbalancing against China in the sense that the balancing element is combined with other elements as counterweight. Nevertheless, a trend toward increasing balancing behavior can also be identified.

Some scholars have observed the discrepancy between realism's balance of power theory and the reality, such as Eric Heginbotham and Richard J. Samuels²⁴, Christopher Twomey²⁵ and later Kang²⁶. In this section, I will critically assess their argument and examine the current situation from the perspective of balancing and underbalancing.

²⁴ Eric Heginbotham, and Richard J Samuels. "Mercantile Realism and Japanese Foreign Policy." *International Security* 22 (1998): 171-203.

²⁵ Christopher P Twomey. "Japan, a Circumscribed Balancer: Building on Defensive Realism to Make Predictions About East Asian Security." *Security Studies* 9 (2000): 167-205.

²⁶ Kang, *China Rising: Peace, Power, and Order in East Asia*.

For Heginbotham and Samuels, facing a rising China, Japan has the option of internal and external balancing:

First, it could develop the conventional (and perhaps nuclear) forces necessary to balance against regional threats independent of U.S. assistance, and it could secure military allies among the minor and midsized powers of the region, particularly in Southeast Asia. Alternatively, Japan could work aggressively to offset the natural decline in U.S. alliance motivation by redefining the alliance so that Japan can shoulder a greater portion of military responsibilities within the existing framework; or Japan could be more conciliatory on trade and investment disputes, which, with the end of the Cold War, may assume ever greater importance for U.S. policymakers. Regardless of which strategy it pursues, we should expect Japan to exhibit great sensitivity to the distribution of gains through its trade with China²⁷.

However, at the time they wrote the article Japan's behavior did not follow such predictions. Its military buildup was very limited in scope, and the amount of equipment and personnel shrunk²⁸; it did not try hard to hold the U.S. in the alliance²⁹; and Japan was insensitive to the relative gains China acquired from their economic relationship³⁰.

Twomey coined a term, "circumscribed balancer", to describe Japan. By "circumscribed balancer", he meant, "a propensity to avoid strong countervailing alliances, to ignore an opponent's growth in peripheral geographic and issue areas, and to avoid offensive strategies³¹." Japan fits into these three criteria, as it did not use the alliance with the U.S. to contain China, did not fear the mutually beneficial economic cooperation with China, and constrained its own military capacities³². Thus, Japan can be seen as a circumscribed balancer, and it underbalanced China.

²⁷ Heginbotham, and Samuels, "Mercantile Realism and Japanese Foreign Policy.", 182

²⁸ Ibid. 183-4

²⁹ Ibid. 185

³⁰ Ibid. 187-190

³¹ Twomey, "Japan, a Circumscribed Balancer", 168

³² *ibid*, 198-204

Kang endorsed the classic concept of balance and its distinction between internal and external balance. Internal balance means military buildup and increasing military spending, while external balance refers to the pursuit of military alliance with other states in order to build a countervailing block aiming at adversaries. Kang argues that Japan has no fear of China, and it is not preparing for a future conflict with China. Instead, Tokyo engages China in economic cooperation and multilateral institutions.

It has been some time since previous authors³³ publications, but many parts of their arguments are still relevant for the current discussion of underbalancing. Incorporating developments after the publication of these articles, especially focusing on Japan's National Defense Program Guideline, which provides the long-term vision for Japan's defense development, I would argue that Japan to a large extent is still underbalancing China. However, beyond the analysis offered by the previous authors, I would further argue that the trend of increasing balancing seems to be on the rise.

As I argued in the first chapter in agreement with Kang that balancing should be understood in its original meaning to avoid overstressing the concept. For an internal balancer, we should expect to see that it invests more on building up national defense and actively upgrades equipment. However, in the case of Japan, as shown in the previous section (see Figure 4.2), it has largely maintained the same level of spending on national defense ever since 1998 after a small increase in the early 1990s. Even when proposing a

³³ Even the newest one was written 7 years ago.

first military budget expansion in early 2013, the increased rate was quite modest at 0.9%³⁴.

By discounting the possibility of large-scale conflict between states, Japan stresses it only maintains the “minimum necessary” force. The goal is set to be rather passive, rather than as a truly great power in the region. Japan refrains from building up military power in order not to disturb other states in the region. A detailed comparison of the specifics of the major equipment of Japan’s self-defense force in 2004 and 2010 is illustrative (See Table 4.2).

Table 4.2 Japanese Self Defense Force of 2004 and 2010

Service	Content	Quantity/Year		Change	
		Quantity(2004)	Quantity(2010)		
Ground Self-Defense Force	Personnel	155,000	154,000	-1,000	
	Regular personnel	148,000	147,000	-1,000	
	Ready Reserve Personnel	7,000	7,000	-	
	Major Units	Regionally deployed units	8 divisions	8 divisions	-
			6 brigades	6 brigades	-
		Mobile operation units	Central Readiness Force 1 armored division	Central Readiness Force 1 armored division	-
		Surface-to-air guided missile units	8 anti-aircraft artillery groups	7 anti-aircraft artillery groups/regiments	-1
	Major Equipment	Tanks	Approx. 600	Approx. 400	-200
		Howitzers and rockets	Approx. 600	Approx. 400	-200

³⁴ Isabel Reynolds, “Japan Defense Budget to Increase for First Time in 11 Years”, *Bloomberg News*, January 30, 2013, accessed September 24, 2013. <http://www.bloomberg.com/news/2013-01-29/japan-s-defense-spending-to-increase-for-first-time-in-11-years.html>.

Maritime Self-Defense Force	Major Units	Destroyer units (for mobile operations)	4 flotillas (8 divisions)	4 flotillas (8 divisions)	-
		Destroyer units (regional district units)	5 divisions	4 divisions	-1
		Submarines units	4 divisions	6 divisions	+2
		Minesweeper unit	1 flotilla	1 flotilla	-
		Patrol aircraft units	9 squadrons	9 squadrons	-
	Major Equipment	Destroyers	47	48	+1
		Submarines	16	22	+6
		Combat aircraft	Approx. 150	Approx. 150	
Air Self-Defense Force	Major Units	Air warning & control units	8 warning groups	4 warning groups	-4
			20 warning squadrons	24 warning squadrons	+4
			1 airborne early-warning group (2 squadrons)	1 airborne early-warning group (2 squadrons)	-
		Fighter aircraft units	12 squadrons	12 squadrons	-
		Air reconnaissance unit	1 squadron	1 squadron	-
		Air transport units	3 squadrons	3 squadrons	-
		Aerial refueling/transport unit	1 squadron	1 squadron	-
		Surface-to-air guided missile units	6 groups	6 groups	-
	Major Equipment	Combat aircraft	Approx. 350	Approx. 340	-10
		Fighters	Approx. 260 *	Approx. 260	-
Assets capable of ballistic missile defense (BMD)***		Aegis-equipped destroyers	4	**6	+2
		Air warning & control units	7 warning groups 4 warning squadrons	11 warning groups/squadrons	-

	Surface-to-air guided missile units	3 groups	6 groups	+3
<p>* The number already included in total figure for combat aircraft, above. ** Additional acquisition of BMD-capable, Aegis-equipped destroyers, if to be provided separately, will be allowed within the number of destroyers set above after consideration of development of BMD-related technologies and fiscal conditions in the future, among other factors. ***The number of unit and equipment in this row are already included in the Maritime and Air-Self-Defense Forces' major units sections above.</p>				

Sources: Japanese Defense Ministry 2005, 2010

There is a limited change in the two NDPGs. The most notable change might be the submarines. This marks the first time in 36 years, since the first NDPG, that Japan increased its number of submarines, and it is said to be out of the concern for China’s naval expansion, coupled with the disputes in the East China Sea. The newly commissioned Soryu class submarine is still defensive in nature, and has limited range of action, even though it has advanced technology. It is thus a minimum level of reaction to China. With the self-imposed restraints on the Japanese military buildup, it is hard to believe Japan is fully balancing against China. The lack of offensive capacity not only limits the capacity for internal balancing, but also has implications for its external balance. As a result, if Japan ever tries to balance against China, de facto revision of its pacifist constitution would seem to be necessary.

If Japan chooses external balance against China, then it would be expected to strengthen its alliance with the U.S. and/or form an alliance with other regional countries. The alliance between Japan and the U.S. has not targeted China explicitly though the potential is there. As Kang says, if the U.S. is not balancing against China, then the U.S. – Japan alliance is not either. As the stronger one in the alliance, the U.S. would naturally

take the lead in dealing with China. The U.S. never chooses only to contain China militarily but rather combines containment and engagement. As a result, the alliance is not balancing against China. Even with Obama's pivot to Asia policy, engagement is still being emphasized.

Japan seems to try to build an alliance with some other countries around China, such as Australia, India, Philippines, and Vietnam. Their efforts still look preliminary. With its limited offensive capacity and limited range of action, it is hard to build an effective alliance led by Japan.

However, the trend toward targeting China and potentially moving toward more robust balancing is occurring. Japan's NDPG has been updated four times, in 1976, 1995, 2004 and 2010. The updating shows that Japan is alert to the changes in its security environment. In the 2004 NDPG, China's military modernization was mentioned for the first time. Two years later, Foreign minister of Japan, Taro Aso, criticized China's lack of transparency in military spending, and claimed that its rapid increase in defense spending "creates a sense of threat for surrounding countries"³⁵. Later in 2010, in the NDPG Japan expressed concern over the nontransparency of China's military spending and other military programs. The redeployment of forces from the north to southwest Japan and additional submarines is an unmistakable sign of wariness concerning Chinese intentions.

Besides the more visible actions of weapon procurement and force deployment, Japan has implemented significant changes in its command structure and has tilted the

³⁵ "China called a military threat by Japanese". *New York Times*, April 2, 2006, accessed September 25, 2013. <http://www.nytimes.com/2006/04/02/world/asia/02iht-japan.html>.

spending to focused areas while maintaining the overall spending level. The defense agency was upgraded to ministry-level. So even though the military spending has not greatly increased, the Japanese government manages to build up its power to some extent³⁶.

As I have argued, Japan is not balancing against China currently, but the trends identified above are enough for a cautious view for the regional future. Then how does the realism balance of power/threat fares? Mostly, the reality does not conform to either theory.

The failure of the realist prediction has been well recognized among IR scholars. Then, what accounts for such failure? As discussed in the second chapter, many possible explanations are available.

Kang focuses on history, arguing this is the result of the return of the East Asian hierarchy. However, it is groundless, as the historical review provided shows. Japan was very reluctant to accept China's dominant role. Actually, many observers, in China and Japan, recognize the difficulty Japan has in accepting the fact that China is a great power and comparable to Japan³⁷. Kang might be right to point out that some Japanese might seek and accept the status of middle power³⁸, however, it is hard to argue that such

³⁶ Christopher W Hughes. "Japan's Response to China's Rise: Regional Engagement, Global Containment, Dangers of Collision." *International Affairs* 85 (2009), 6

³⁷ Masaru Tamamoto. "How Japan Imagines China and Sees Itself." *World Policy Journal* 22 (2005): 55-62.

³⁸ Kang, *China Rising: Peace, Power, and Order in East Asia*, 164

thoughts are dominant and even so, it is different from accepting China's dominant role in the region.

Those analysts who focus on Japanese domestic pacifism correctly point out the importance of public attitudes that limit Japanese balancing behavior. But sometimes this focus obviously does not take into account many other factors influencing the public, and one of the most important among them is China's behavior.

Neoclassical realists may offer the best explanation for the underbalancing of Japan. The structural changes alone that Japan has undertaken since the burst of the bubble economy may have been sufficient to stop Japan from balancing against China. Schweller identifies four variables in determining a state's capacity to balance, namely, elites consensus, elite cohesion, social cohesion and regime vulnerability. In 1989, for the first time, the Liberal Democratic Party (LDP) lost its majority in the upper house. In 1993, LDP lost control of the lower house of the Diet and the first non-LDP prime minister took power. The iron triangle of the post-WWII system-- the LDP, the bureaucracy and the business community-- gradually lost their monopoly on power³⁹. More diverse social forces have emerged to share power⁴⁰. In the competition for power during social transformations, the elites and the broader public may find it difficult to form consensus on policy issues. A reflection of such instability is the short term of office for most of the prime ministers. One notable exception might be the Koizumi

³⁹ See Michael Green, *Japan's reluctant realism: foreign policy challenges in an era of uncertain power*. Macmillan, 2003, chapter 2; Gerald L Curtis, *The logic of Japanese politics: Leaders, institutions, and the limits of change*. (New York: Columbia University Press, 2000), chapter 2.

⁴⁰ Koji, Murata. "Domestic Sources of Japanese Policy towards China." In *Japan's Relations with China: Facing a Rising Power*, ed. Peng Er Lam (London: Routledge, 2006), 39.

administration, during which the economy developed at the fastest pace in the post-Cold War era, and which was able to sustain a strong grip on power. However, even the reform Kozumi spent most energy on-- the reform of the postal system-- was reversed after he stepped down⁴¹. Additionally, the rise of the Democratic Party of Japan also symbolized the mistrust of the public toward old ruling elites and a fundamental change in the political ecology⁴². Given the conflicts and splits on the society, that Japan cannot formulate a balancing policy would be understandable.

However, such a neoclassical realist explanation has difficulties explaining why Japan is increasingly trying to balance against China. Japan has not becoming a more unitary actor over the years. To the contrary, the dominant structure of post-WWII system continues to collapse, and the DPJ was able to take over the government by an unprecedented majority in the lower house of the Diet in 2009. The dramatic fall of the DPJ in 2012 was another sign of the rupture between the state and the society.

I hereby argue that in order to better explain underbalancing, it is important to introduce the interaction between states. Balance of power is not predetermined, but an outcome of mutual interaction. When China was aware of the danger of being balanced, it would manipulate its policy tools. However, due to the limitations of those tools, the outcome has been mixed. Japan does underbalance China, but it is increasingly able to do

⁴¹ Jeff Kingston, *Contemporary Japan: history, politics, and social change since the 1980s* (London: John Wiley & Sons, 2011), 118.

⁴² Steven R. Reed, Ethan Scheiner, and Michael F. Thies, "The End of LDP Dominance and the Rise of Party-Oriented Politics in Japan." *The Journal of Japanese Studies* 38 (2012): 353-376.

so. External balancing is especially hard to prevent, as the state facing the danger of being balanced would have limited space to use its policy tools.

4.4 China Interacting with Japan: the Intended and Unintended Consequences

4.4.1 The Internal Debate and Mixed Strategy

The power configuration and the history of mutual interaction provide sufficient reason for China to be concerned about Japan's internal and external balancing. Japan is the only country in the region that has both a history and a future potential to threaten China. On one hand, even though Japan is short of natural endowments compared to China, it has the most advanced science and technology in the region, which makes internal balancing an option for it. Additionally, the U.S.-Japan alliance, inherited from the Cold War, is ready for use against China. Japan does not even need to invite the outside power to balance against China, as the U.S. is already in the region⁴³. Japan simply needs to continue and strengthen the alliance and at present, that is seemingly happening. Additionally, it can also join other regional states to build a coalition to balance against China. Thus, China has to deal with a close neighbor that has both balancing options in hand. China's anxiety over Japan's internal balancing can be

⁴³ It is not like the ancient world, when Japan could not seek outsider to ally against China.

observed in the sensitivity to the historical issues and in the resurgence of militarism, while the concern over external balancing manifests itself in the sensitivity over the U.S. - Japan alliance and Japan's value diplomacy⁴⁴.

The historical issue, Japan's remilitarization and the U.S.-Japan alliance are divisive issues in the debate over China's Japan policy in 2003, triggered by a provocative article by a senior commentator of *People's Daily*, Ma Licheng. Though much of the debate is related to extreme nationalism in China, the discussion has managed to reflect the intricacy of China's strategy of anti-balancing toward Japan. Ma's article is titled "New Thinking on Relations with Japan"(《对日关系新思维》)⁴⁵. In it, he starkly envisions two futures for China and Japan: either a U.S.-Japan alliance against China, or peace between Japan and China⁴⁶. In order to avoid the former, China should get over historical issues, acknowledge Japan's assistance to China, recognize Japan's peaceful development after World War II and respect Japan's pursuit of political power and prestige in international society. For Ma, the possibility of a remilitarized Japan is quite low. In other words, it is very unlikely that Japan will internally balance against China. Discounting such a possibility, Ma then focuses on dealing with Japan as external balancer. With this priority, his policy recommendations stress the importance of China changing course and making efforts to attract Japan away from the U.S. Some who

⁴⁴ In cable 06BEIJING8787, U.S. embassy in Beijing reported that China had three concerns about Japan: Japan built up military capacity; Japan developed offensive missile technology; China was a target for the realignment of U.S.-Japan alliance. The Chinese official told the U.S., "China always watches closely changes and developments in the U.S.-Japan alliance". These all directly demonstrate Beijing's concern over Japan's internal and external balancing.

⁴⁵ Ma Licheng. "Dui ri guanxi xinsiwei(New Thinking on Relations with Japan)", *Zhanlue yu Guanli* No.6 (2002), 41

⁴⁶ *ibid.*

concur with Ma's opinion made explicit reference to the balance of power logic, arguing "a rigid Chinese attitude will be likely to lead Japan to rely even more on the U.S. to balance against China⁴⁷." Even though Ma appeared to lose the debate and was forced to leave his post at *People's Daily*, the government largely adopted his approach to deal with Japan. Such an approach, however, under constant pressure from the conservatives and nationalists, is often implemented by avoiding public attention, as I will detail in the following section.

On the other hand, for those who see a genuine danger in Japan's remilitarization, Ma's rapprochement with Japan is judged unacceptable and naive. First of all, it is argued that China will not be able to influence the U.S. –Japan alliance in the way the New Thinking supporters wish. "There is no way to insert a wedge [xiezi] between Japan and the US⁴⁸." Besides, if China does not react strongly to Japan's already strong military buildup and the rightwing groups' attempts to rewrite history, China is putting itself into great danger. For these hardliners, Japan has no right to develop its national defense force⁴⁹. In this view, any defense development of Japan will be regarded as abolishing the peace constitution and creating a real danger for China. From the perspective of balance of power, by dismissing the possibility of influencing Japan's external balancing behavior, the focus shifts to Japan's internal balancing, and a tough stance against Japan's internal balancing is advocated. A considerable portion of the public and elites in

⁴⁷ Xue Li, "ZhongRi guanxi nengfou chaoyue lishi wenti?" ("Can Sino-Japanese relations overcome the history question?"), *Zhanlue yu guanli*(Strategy and Management), No. 4(2003), pp. 28-33

⁴⁸ Gries, Peter Hays. "China's" New Thinking" on Japan." *CHINA QUARTERLY-LONDON*- 184 (2005): p. 842

⁴⁹ Lin Zhibo. "Dui Dangqian Zhongri Guanxi Ruogan Wenti De Kanfa" ("Thoughts on Current Issues in the Relationship between China and Japan"). *Zhanlue yu guanli*, no. 2 (2004): 89-93.

the CCP support this approach, as has been evident from the controversy sparked by Ma. And since the majority of the society holds this view, popular opinion is often used as a leverage to influence policy.

Reflecting the debate ignited by the New Thinking on Japan-China relations, we find a mixed strategy within China to deal with Japan's two options of balancing. Such a strategy, not surprisingly, has led to mixed policy outcomes, with one strategy counteracting the effect of the other. Chinese effort to counter internal balancing by Japan influences the effect of its effort on reducing Japan's external balancing. The rapprochement strategy toward Japan has implications for both its internal balancing and external balancing. Similarly, a hardline approach might push Japan toward both internal and external balancing.

Next, I will supply a preliminary discussion of mutual relations with respect to balance of power; then I will use the framework discussed in the previous chapter and focus on how China might influence Japan's intention and capacity to balance against it, detailing how the mixed strategy is reflected in the policy and interaction. Further in the discussion, I will explain why China's strategy is becoming less effective as indicated by Japan's increased balancing against China.

The interaction between China and Japan regarding balance of power can be captured by the classic Prisoner's Dilemma. The preference of China can be ranked as China dominates Japan (China balances while Japan does not balance, under which situation Japan is becoming more and more vulnerable to China), China and Japan do not balance against each other, China and Japan balance against each other, and Japan

dominates China (Japan balances while China does not balance, under which situation China is becoming more and more vulnerable to Japan). Accordingly, I assign the payoff to each from 4 to 1. Japan has a similar preference of outcome⁵⁰. As a result, we can have a diagram as below.

Table 4.3. The Balance of Power Game between China and Japan (China is the row player, while Japan the column player)

	Not Balance	Balance
Not Balance	3,3	1,4
Balance	4,1	2,2

If China and Japan are rational actors without any communication and cooperation, then each of them would play the dominant strategy, that is, they would balance against each other, just as the neorealist predicts. However, in reality, the two can build a connection and try different ways to avoid this outcome. Also, the capacity to balance cannot be assumed, as already questioned by the neoclassical realists. For the Chinese side, to solve the prisoner’s dilemma, China can build issue linkage, increase communication and transparency between the two countries and institutionalize the interaction. By doing so, China can show the long-term payoff (in technical terms, the

⁵⁰ Both realists and liberals can agree on such a ranking of preference. Some might argue that realist logic aims at maximizing security rather than payoff. However, even with the security maximization logic, the preference order is the same. Even realists would not deny that cooperation is a better outcome for international society, but the problem for them is that no genuine cooperation is possible in international society (in a recent interview by *Global Times*, Mearsheimer admits this points though his comments were on Sino-US relations. See “Can China, US avoid tragedy of great power politics?”, *Global Times*, May 27, 2012, accessed October 21, 2013. <http://www.globaltimes.cn/NEWS/tabid/99/ID/711459/Can-China-US-avoid-tragedy-of-great-power-politics.aspx>). Dominance (one side balances and the other side does not) is always the best possible outcome for a country seeking security.

Nash equilibrium outcome approaches the Pareto optimal outcome) to Japan, thereby influencing Japan's intention. The following section on soft power will focus on the cultural interaction, political communication, increasing transparency, and the effort to institutionalize. The subsequent economic section will turn to issue linkage. Lastly, a final section will discuss military factors in the mutual relationship regarding balance of power.

4.4.2 Soft Power: Culture, History and Diplomacy

This section focuses on the soft power approach of China to counter the balancing tendency of Japan. As the definition of soft power indicates, it mainly serves to alter intention. By building up a favorable attitude toward China, China can expect less hostility from Japan, thus less balancing behavior.

Cultural Approach

As described in the beginning of this chapter, China and Japan have a long history of cultural and political interaction. In ancient times, Japanese culture and political institutions were shaped overwhelmingly by Chinese traditions, while in modern history, Japan has been an important window for Chinese to learn about Western culture and

technology. The historic cultural connection provides a ready tool for the Chinese government to manipulate, hoping that an increase in cultural exchange may better the perception of China by Japanese.

The Chinese government regularly organizes a series of large cultural events in Japan or invites a large number of Japanese to visit China, especially during the anniversaries of important years of their relationship. For example, in 2002, the thirtieth anniversary of the normalization of the diplomatic relation, China launched “Year of Chinese Culture” in Japan. China sent out many visiting groups of traditional Chinese culture, like traditional drama, Kongfu, etc. to Japan. Year 2008 was named “the Year of Mutual Exchanges of Sino-Japanese Youth”. It involved more than ten thousand young people from both sides. Even top Chinese leaders would sometimes be directly involved in such activities. In 2000, President Jiang met a Japan-China Cultural and Tourist Exchange Group of 5000 Japanese guests⁵¹.

More efforts to institutionalize cultural exchange have been made. According to an agreement signed in 1979, China and Japan hold a governmental meeting on cultural exchange every other year. After the first Confucius Institute (CI) was built in 2005 at Ritsumeikan University, 13 CIs have been built across Japan. Chinese has become Japan’s second largest foreign language in terms of the number of learners, about 4 million as of 2010⁵². At the sub-central government level, the interaction is also active.

⁵¹ “Zhongri wenhua guanguang jiaoliu dahui zai jing juxing”(“The Cultural and Tourist Exchange Conference Held in BeiJing”). *People’s Daily*. May 20, 2010.

⁵² Office for Promoting Chinese Oversea. “Zhongguo yiwai xue hanyu de renshu chao da 4000 wan”(“Overseas Chinese learners reaching forty million”), June 25, 2010, accessed September 23 2013. http://www.hanban.edu.cn/article/2010-06/25/content_150854.htm.

Local governments from both sides have created 345 pairs of sister cities as of the middle of 2012⁵³.

However, the official promotion of Chinese culture has serious limitations. The Chinese culture displayed is often classic and traditional, and thus has little appeal to the general public. The Chinese ambassador to Japan has realized the importance of popular culture and expressed hope that China can create a popular culture as good as Korean Current⁵⁴. Secondly, disputes and dramatic events often have a much larger effect on shaping perceptions than cultural initiatives. For example, the Tiananmen incident dramatically reduced positive perceptions of China, such that they never recovered to the level of the pre-Tiananmen era. Even more impactful are the increasing diplomatic disputes, which can easily overwhelm the achievement of cultural exchange. For example, as a result of the dispute over the Senkaku\Diaoyu Islands, a 2013 survey revealed that only 5% of Japanese respondents hold a favorable view of China⁵⁵. Thirdly, the leftist political force in Japan has been in decline since the 1990s; corresponding to this, the communist brand of China was counter-productive in building a good public image. With these insights, it is no surprise that China has not engendered positive feelings from the Japanese public, as the polls repeatedly shown (See Figure 4.5). This

⁵³ Japanese Embassy in Beijing. “Rizhong liangguo jiaoliu yu hezuo gaikuang”(“The basic information about China-Japan communication and cooperation”), accessed August 18, 2013. <http://www.cn.emb-japan.go.jp/bilateral/koryu0603.htm#5>.

⁵⁴ Embassy of the People’s Republic of China in Japan. “Zhongguo zhuri dashi Wangyi tan zhongri wenhua jiaoliu”(“Chinese Ambassador to Japan Wang Yi Talking about the Cultural Communication between China and Japan”), accessed August 18 2013. <http://jp.china-embassy.org/chn/sgxx/t280871.htm>.

⁵⁵ Pew Research. “America’s Global Image Remains More Positive than China’s”, accessed October 13, 2013. <http://www.pewglobal.org/2013/07/18/chapter-3-attitudes-toward-china/>.

negative view toward China provides the public support for a potential balancing strategy.

Moreover, the Japanese elites who make decisions are unlikely to be influenced by cultural attractions. Japanese Prime Minister Abe is reported to be a lover of Chinese culture⁵⁶. However, his policies are far from favoring China. In sum, the cultural approach is only an indirect way of addressing deeper problems.

Political Relations and Diplomacy

Though the political relationship is often described as “cold” in contrast to the “hot” economic relations, the political relationship between China and Japan is actually better than it appears in the media and in public opinion. This can be appreciated by looking at U.S. diplomatic cables and events of mutual interaction.

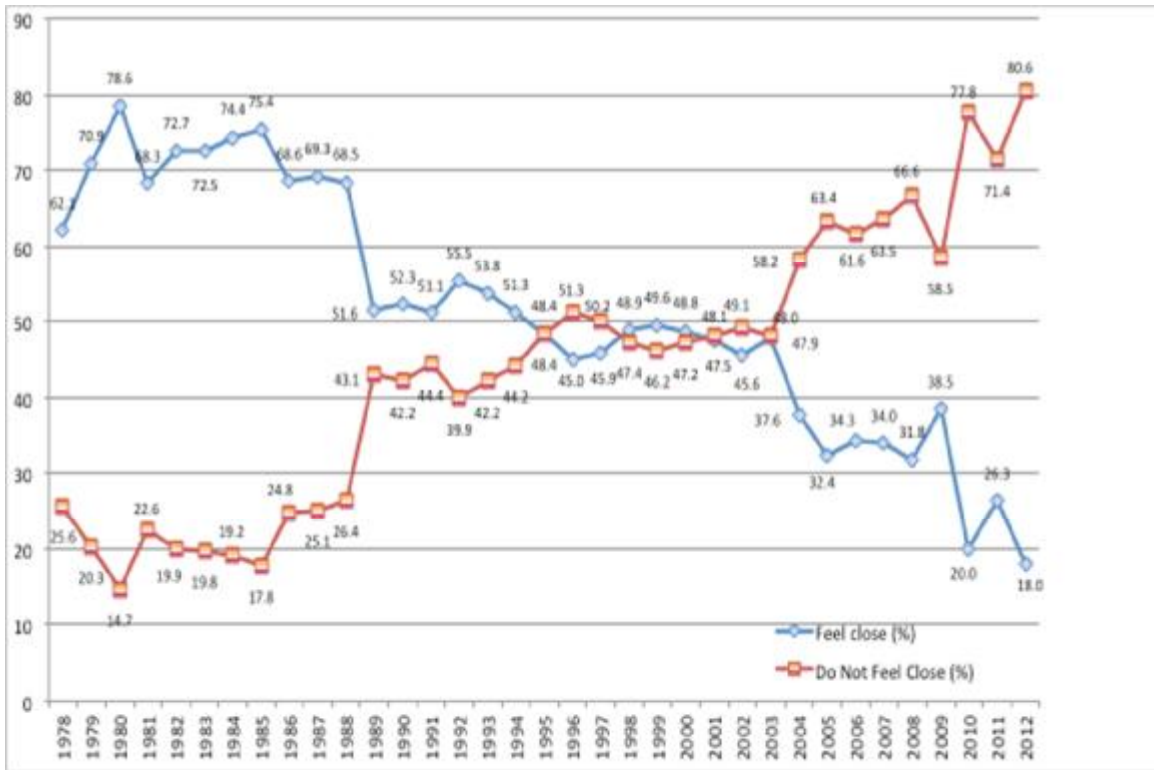
Unlike the usual tough rhetoric against Japan, the Chinese government actually adopts a policy toward Japan similar to the New Thinking⁵⁷. That is why one of the commentators says the New Thinking is not new, and has actually been under discussion

⁵⁶ “Jinbushu yiyuan dui hua chi youhao taidu”(“near half Diet members friendly toward China”). *Changjiang Daily*, accessed October 5 2013. <http://news.163.com/13/0409/05/8S0CMKK300014AED.html>

⁵⁷ Xi’s administration just took power in 2013, so it is still unclear what approach it will take toward Japan. However, in view of the interaction between Xi and Japanese political elites except the Japanese PM, he is likely to follow previous policies, especially after he is in firm control of power. However, he also has to wait for some opening of opportunity, such as the step down of Abe. The game of blaming played by China is to put all the guilt on single leader, then if he is removed, the relation can make a quick turnabout.

and proposed to the leadership since 1990⁵⁸. When Premier Zhu Rongji visited Japan in 2000, he demonstrated some ideas of the new thinking, such as the attitude toward historical issues. He acknowledged that Japanese people were also victims of World War II, and proposed a more forward looking attitude on historical issues rather than lecturing the Japanese on how to correctly deal with these issues.

Figure 4.5. Japanese public perception of China



Source: Cabinet Poll Cabinet Office of Japan Public Opinion Survey on Diplomacy 2014

As the previous chapter shows, Chinese top leaders are actively engaged in bilateral summit visits with neighboring countries. Japan is one of the countries that China has most often exchanged summit visits. During the post-Cold War era, all prime

⁵⁸ Takai Kiyoshi, “A Critical Reflection on the ‘New Thinking’: in Search for A New Framework for Dialogue”, speech, from personal website, accessed September 9, 2013. <http://www.geocities.jp/ktakai22/>.

ministers of Japan have been invited to visit China, and all of the top Chinese leaders have been to Japan at least once. During the 1990s, the president and premier of China met with Japanese prime minister at least once a year, either bilaterally or multilaterally. Since 2000, the frequency of such meetings has increased to as often as 3 to 6 times a year⁵⁹. President Jiang visited Japan in 1992 and 1998, and President Hu in 2008.

Despite the rhetoric, Chinese leaders are active in promoting the bilateral connection. In 2006, mutual relations were at its lowest point since the normalization. Large-scale anti-Japanese protests broke out in several major Chinese cities less than a year ago. Even at such a hard time, China and Japan maintained a variety of interactions except summit visits. China assured Japan that “China’s policy of friendship toward Japan would not change⁶⁰.” Both sides were still planning to thaw mutual relations immediately after Koizumi left office⁶¹. China accepted, though still strongly opposed, the fact that Koizumi would continue to visit the Yasukuni shrine and promised that no more protests would happen⁶². The Chinese government also chose to ignore the fact that the new Prime Minister Abe who was in his first term at that time donated a bonsai tree to the Yasukuni. Japanese officials actually worried that China might again launch another round of diplomatic protests. However, China did not do so in order not to strain relations⁶³. In 2008, even though meeting strong objection after the incidents of the

⁵⁹ In 2004-06, due to Koizumi’s intransigence in visiting the Yasukuni Shrine, the meeting of top leaders occurred only once a year.

⁶⁰ 06BEIJING2981: 3

⁶¹ 06BEIJING2981:3; 06BEIJING11181; 06BEIJING15377; 06BEIJING20679; 06TYKYO5624:6

⁶² 06BEIJING11183: 4

⁶³ 07BEIJING3311: 5

poisoned dumpling and Tibet⁶⁴, Hu followed through with a visit to Japan and signed a new political document, which for the first time officially recognized the peaceful development of Japan after World War II. Hu did not even mention historical issues during his visit.

Mutual interaction has helped both sides build a certain level of trust. During his visit and speech in the Japanese Diet, Premier Wen accidentally skipped a paragraph addressing Japanese peaceful development in the post-World War II era. If they had lacked mutual trust, such an incident could have been read as Wen using the platform to send his protest to Japan. In fact, some media did interpret the omission in this way. However, the Japanese accepted the Chinese explanation for the oversight. During the speech, Wen had paused to react to the unexpected applause of the audience, and when he returned to the speech, he skipped the part on Japanese post war development in his note unintentionally.

Besides summit visits, Beijing is also trying to engage various Japanese elites, namely, the business groups, the Diet members, and party leaders. The last group of foreign visitors met officially by Deng Xiaoping was a group of Japanese businessmen. There are Japanese business leaders visiting China and meeting Chinese leaders every year. Besides their economic interest, China also expects that business leaders can influence Japanese domestic politics. Chinese scholars believed that the improvement of

⁶⁴ 08BEIJING2010: 5. The incident of poisoned dumpling happened in January 2008, when a few hundred Japanese consumers reported sickness after eating dumplings made in China. The incident soon captured the attention of media and general public and was escalated to a diplomatic crisis.

relations after the Koizumi administration was due to the business community having gained more influence than the right-wing section of the LDP⁶⁵.

Diet members are another major group that the Chinese government wants to engage, especially the Diet members who favor an improved Japan-China relationship. Diet members regularly visit China, even when the political climate has been bad. Some Diet members have thus built close private relations with Chinese leaders. It is reported that one Diet member, Kato, can call the Chinese foreign minister and later the Councilor Tang Jiaxuan directly. In 2008, Ozawa led a group of 144 Diet members to China, the largest in history. China thus has a channel to access a large body of Japanese lawmakers. Some lawmakers have also made use of their private channels in both countries to broker private deals between leaders. For example, during the foreign policy crisis in 2010, when Japan detained a Chinese trawler captain whose ship had rammed into a Japanese coastguard ships, a young Diet member is said to have been responsible for brokering a lounge meeting between Premier Wen and Prime Minister Naoto Kan during the Asia-Europe Summit in Brussels⁶⁶.

During and after the latest crisis that has resulted from Japanese nationalization of the Senkaku/Diaoyu Island in 2012, similar things occurred. Several national Diet members and party leaders visited China. Even though concrete results have not been forthcoming, except for a five-minute meeting between Xi and Abe at the Moscow G20

⁶⁵ 08BEIJING3459: 6

⁶⁶ Wen brought a translator for the meeting while Kan did not. It indicated at least China had prepared well for the meeting and was willing to take the risk of initiating a summit meeting despite enormous domestic pressure. It is another indication that the inter-government relationship is better than the common impression.

conference, we have reason to believe that both countries might have reached some kind of understanding not seen by the public. After the consolidation of Xi's power, the rapid recovery of the mutual relationship may come to pass again, just as in the Hu-Wen era⁶⁷.

China has also tried to institutionalize mechanisms for bilateral cooperation. Institutionalization in this context suggests a long-term commitment to dialogue and cooperation. Several different mechanisms in a variety of policy fields have been created. For example, Strategic Dialogue between China and Japan was initiated in May 2005, at the height of anti-Japanese sentiment in the society. There have been thirteen Strategic Dialogues till 2012. A regular meeting between the nation's foreign ministries of both sides started in the early 1980s. A defense dialogue is also held regularly, even during times of turbulence seen as the worst time for mutual relationship. In April 2013, officials from both defense ministries held meeting in Beijing to discuss how to avoid a military confrontation in the Senkaku/Diaoyu Islands. The dialogue over the dispute on the East China Sea was held from 2004 and 2007 and finally reached some consensus. A new round of sea development dialogue has also begun.

The regular and active interaction between the two governments provides occasions for China to influence Japan's intention toward China, and China thus can to some extent demonstrate that cooperation rather than balancing is possible and better for

⁶⁷ Former Japanese ambassador to China held similar optimistic view. Nobuyoshi Sakajiri. "Ex-ambassador says Japan needs careful diplomacy with China over Senkakus", *The Asahi Shimbun*, December 21, 2012, accessed October 31, 2013. http://ajw.asahi.com/article/behind_news/politics/AJ201212210070.

both sides. Resonating with the engagement approach of Japan, the mutual relations can avoid falling into the balance of power politics.

However, despite the increasing interaction, China's influence in Japanese politics is in decline for the following reasons. First of all, generational change in Japanese leadership reduces those leaders who hold special emotion or connection to China. The older generation felt some guilt over the past and usually had private connections with Chinese leaders. Naturally, they were more cooperative toward China. Deng Xiaoping once said, "From the perspective of history, Japan is the country most indebted to China. So it should do more things to help China's development⁶⁸." A similar mindset existed in old Japanese leaders, exemplified by the official assistance provided to China, and extended beyond economic development to other fields of cooperation. However, when entering the 1990s, the new generations of politicians did not hold such special feelings toward China. For them, China was just a normal foreign country competing with Japan. For the Chinese side, they became aware of "Apology Fatigue" of the Japanese leaders and society during President Jiang's 1998 visit to Japan. Such a trend is unlikely to be reversed. China is losing political elites favorable to it. Chinese officials have worried that Prime Minister Yasuo Fukuda would be the last prime minister to be truly attractive to China⁶⁹, who understood well and was close to China before he became the prime minister⁷⁰.

⁶⁸ Yang, Daqing. "Mirror for the Future or the History Card? Understanding the History Problem." *Chinese-Japanese Relations in the Twenty-First Century* (London: Routledge, 2002), 13.

⁶⁹ 08BEIJING3591: 6. Also, Fukuda is said to be willing to even sacrifice his domestic popularity to save the mutual relationship (08TYKYO1138:2)

⁷⁰ 07BEIJING7098

Secondly, the decline of communism in the world also generated repercussions inside Japan. One outcome was that the leftist parties gradually lost their ground in Japanese politics due to their poor adaptability⁷¹. The Japan Socialist party committed political suicide in the middle of the 1990s when its leader, Tomiichi Murayama, decided to form a coalition government with the LDP. The leftist party had naturally held a favorable view toward China, and, with its decline, China lost one of its biggest advocates inside Japanese politics.

Thirdly, the restructuring of Japanese political power has also been negative for China. Under the 1955 system, the iron triangle of the LDP, bureaucracy and business controlled the policy process. The “China school” in the bureaucracy and the business circles favored China. Since the 1990s, the Japanese government has implemented a series of reforms to reduce the influence of these traditional power centers. The power of the prime minister and the cabinet has increased at the expense of the bureaucracy.

The gradual change of these three factors has moved Japan away from China over the years. As there is less power in Japan to resist the structural tendency to balance against China, the outcome is expected to be an increasing balancing policy from Japan. What is worse, the hardliners in China sometimes dominate China’s Japan policy, pushing Japan further away.

On the other end of the mixed strategy toward Japan is the hardline policy, or, to put it another way, the endurance of an “Old Thinking” school, in contrast to the “New

⁷¹ Patrick Boyd, and Richard J Samuels. "Nine Lives?: The Politics of Constitutional Reform in Japan." (Washington, D.C.: East-West Center Washington, 2005)

Thinking". They are extremely sensitive to any change in Japan's defense policy and are actively searching for any possible signals inside Japan that might indicate that it is forgetting the past. They advocate a confrontational stance against any behavior they deem inappropriate, and they actively manipulate the historical issues.

Historical issues actually become a ready tool for those who believe in an imminent Japanese threat⁷² and the necessity of China's confrontational counterbalancing. For outsiders, the historical issue between China and Japan might seem puzzling: time does not wash away the hostility from memory, but rather seems to strengthen it. Allen Whiting once argued that China's lack of understanding of democratic regimes was one of the reasons inhibiting the resolution of historical issues between China and Japan⁷³. However, after more than twenty years of Whiting's argument, and more and more chance for China to grasp western democracy, it is hardly credible to argue that the Chinese government's focus on historical issues is due to their lack of knowledge. Thus, many authors argue that China intentionally utilizes the historical disputes to gain diplomatic advantage. Here, I would argue that historical issues have been the one of the best diplomatic tools for China to limit Japan's balancing behavior, especially as concerns internal balancing. If hardliners inside the government

⁷² Most Chinese scholars do not recognize the historical issue as a policy tool (07BEIJING3107). The reason might be that they see the genuineness of the public resentment toward Japan, and from this perspective, the historical issue is not caused by the government and used by the government. However, even if the indignation is real, it is another matter that the historical issue can be used for other purposes in a calculated way. The foreigner's suspicion is somehow justified sometimes by the promise of the Chinese government to suppress the popular movement against Japan.

⁷³ Allen Sues Whiting. *China Eyes Japan*. (Berkeley: University of California Press Berkeley, 1989), 185

dominate policy, it can be expected that the Chinese government would try to make use of the history, especially during a diplomatic crisis with Japan.

The historical issue, closely related to the military development of Japan, can be used to delegitimize Japan's effort to build up military power. By emphasizing the past China can maintain a case to deprive Japan of the right to be a normal country. Preventing Japan from becoming a normal country can sustain the constraints imposed upon Japanese military development after World War II. China stresses the importance of the Peace Constitution, the post-World War II system and the danger of the revival of Japanese militarism. Any adjustment in Japanese policy will be immediately scrutinized and quickly linked to its history of invasion. For example, commenting on Japan's desire to be a permanent member of the UN Security Council, China says the first thing is to respect history⁷⁴.

As historical issues also exist between Japan and some other East Asian countries, especially South Korea, the same nerve can be touched and used as a wedge into the relationship between Japan and other regional states, preventing Japan's effort to unite these neighbors to build an alliance balancing against China.

The political merit of the historical issue to frustrate Japan's effort at internal and external balance is unclear, but its effect in alienating Japan further is predictable. Such

⁷⁴ “Waijiaobu huiying riben yaoqiu ruchang: shouxian yinggai zunzhong lishi”(“The Foreign Ministry's Response to Japan's Request to Become a Permanent Member of Security Council: Please Respect History First.”) Newhua Agency. September 27, 2013, accessed September 28, 2013. http://news.xinhuanet.com/world/2013-09/27/c_117543137.htm.

strategy neutralizes the effort to reduce Japan's balancing behavior and build a cooperative environment.

Regarding the alliance between Japan and the U.S., China used to believe that a strong presence of the U.S. in Japan would help contain Japanese military development. However, after the revision of defense guidelines in 1997, China became suspicious about the U.S. role in harnessing Japan. Rather, the concern has become how to prevent China from becoming the target of the alliance, as the original target of the alliance—the Soviet Union-- was gone. However, China has little to do with the alliance politically, except gaining assurance from Japan and the U.S. As a result, building more economic relations to create issue linkage is important for China's security.

4.4.3 Economic Interdependence

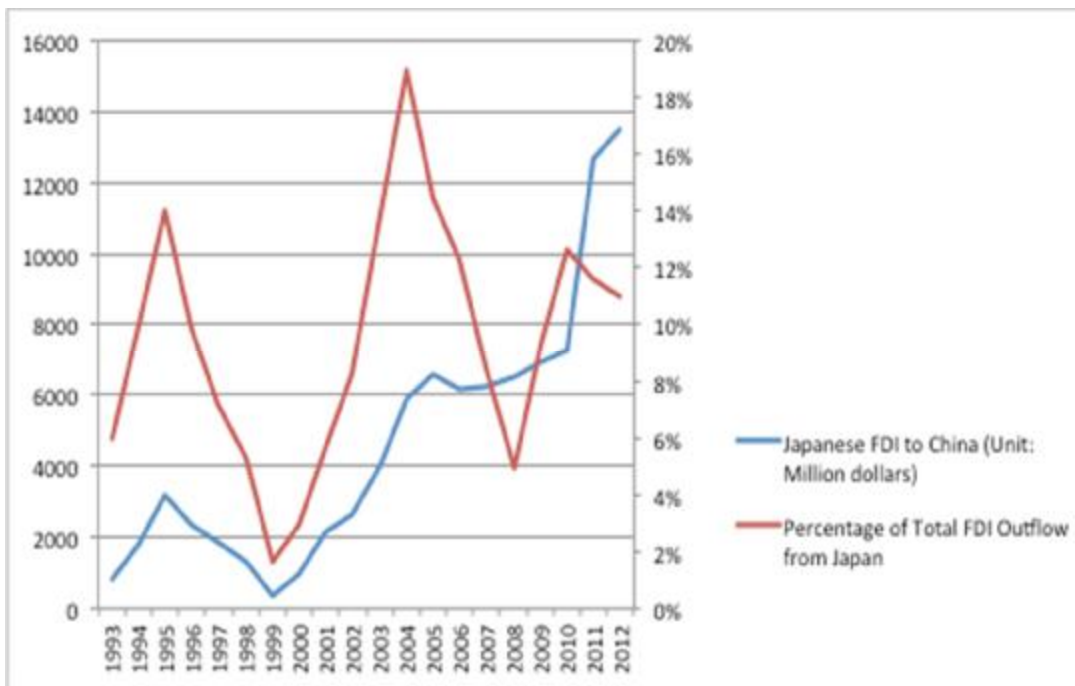
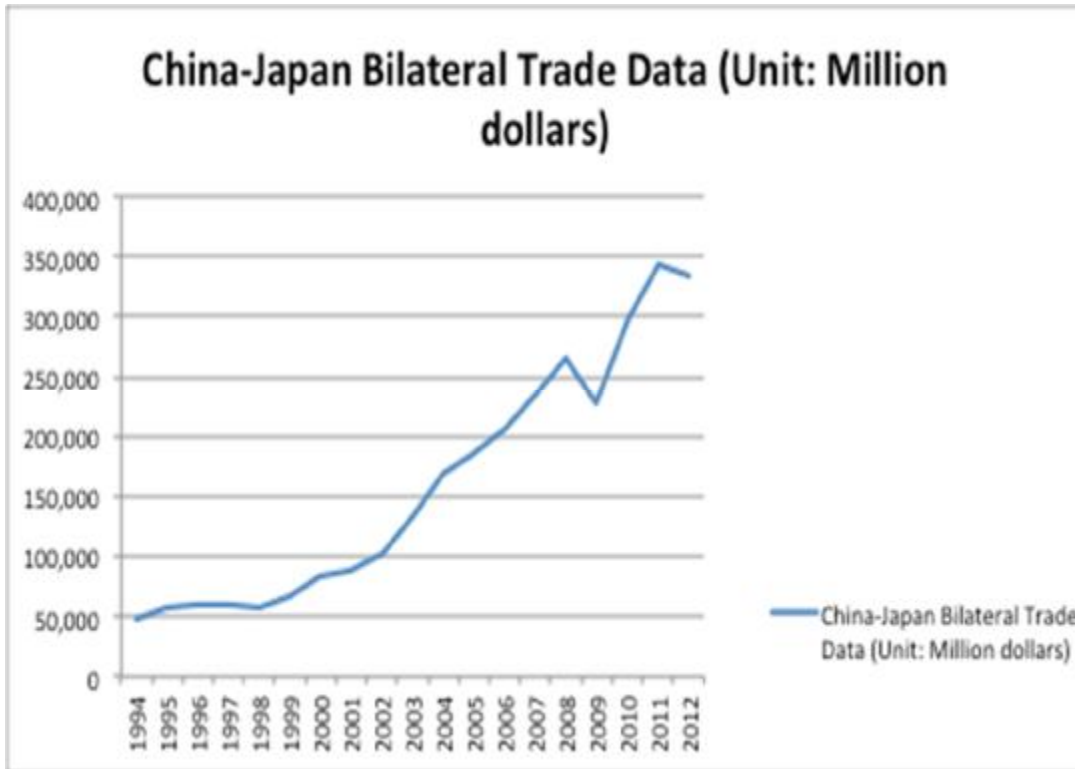
Economic incentive has always been a driving force in the relations between China and Japan. As briefly mentioned, as far back as the 1950s, some Japanese leaders already held the belief that China was important for Japan's economic development in the long run. Hence, long before the normalization of political relations, China and Japan had started to build an economic connection. China and Japan's economic relations developed at a fast pace after the reforms led by Deng Xiaoping starting from late 1970s. Deng looked to Japan for investment, technology and experience with modernization, while Japan considered China a source for raw material and cheap labor. After a brief

disruption in the 1980s and early 1990, the economic relations between the two entered a new stage of momentum, and the interdependence has increased significantly. As a result, the economic data between China and Japan often suggests a sanguine picture of mutual relationship.

The large amount of trade and investment between the two countries does not show the dependence of each country on bilateral trade. Japan lost its status as China's biggest trade partner in 2003, while China became Japan's largest trade partner in 2006. China has maintained its status as Japan's largest trade partner, accounting for about 20% of Japan's total trade in 2012. At the same time, Japan further lost its importance in China's trade, accounting for about 9% of Chinese total trade in 2012.

From the perspective of strategic interaction, the economic issue can be used to create issue linkage, which ties economic interests to political and security interests. It is hard to underestimate the importance of Japan in developing China's economy, but it is also hard to ignore the concern over the spillover effect of economic interdependence on national security. As mentioned previously, China often hopes that the business community in Japan can shape their government's policy, with the expectation that Japanese businessmen who have strong economic interest in China would pressure the Japanese leaders to be more favorable toward China. As President Hu commented in his luncheon speech during his visit to Japan, "Japan's business community has long been an important force for maintaining and promoting the China-Japan friendship and has played a significant role in improving and expanding bilateral ties".

Figure 4. 6. The economic interdependence between China and Japan



Sources: The Japan External Trade Organization and the Bureau of Statistics of China 2014

In view of the commercial, political and security interests involved in the economic connection with Japan, China has been actively promoting economic interdependence with Japan. Various levels of economic talks have been held regularly. For example, Premier Wen initiated the Ministerial Level Talks on Economic Issues between China and Japan during his visit to Japan in 2007. China's interest in increasing mutual economic connection can also be seen from its effort to engage Japan in FTA talks. As early as in the fall of 2002, China's Premier Zhu Rongji expressed China's interest in creating a free trade area with Japan and South Korea⁷⁵. In 2005, the Chinese ambassador to Japan, Wang Yi⁷⁶, repeated this proposal several times in his public speeches to Japanese academia and business groups. In the same year, vice premier Wu Yi in her visit to Japan made a similar proposal. Japan had reservations about the idea initially, and Prime Minister Abe only replied with caution in 2006. Finally, the first serious talk on the FTA began amid the tension aroused by the nationalization of the Senkaku/Diaoyu Islands in 2012.

To create more economic interdependence, China also buys large amounts of Japanese bonds. Even though it is not as commonly known as the fact that China is the largest holder of the U.S. government bonds, China is also the largest holder of Japan's bonds. China had accumulated 18 trillion yen of bonds as of 2011⁷⁷, and even the dispute over the Senkaku/Diaoyu Islands did not slow the purchase spree. China added another 2

⁷⁵ Foreign Ministry of the PRC, "Premier Zhu Rongji Attended and Hosted the Talks between China, Japan and the Republic of Korea", accessed September 28, 2013.

<http://wcm.fmprc.gov.cn/pub/eng/gjhdq/dqzzywt/2633/2634/2636/t15569.htm>.

⁷⁶ He has been the Chinese foreign minister since 2013.

⁷⁷ "China's Japanese bond holdings hit all-time high", *Shanghai Daily*, June 5, 2012, accessed September 28, 2013. http://china.org.cn/business/2012-06/05/content_25564500.htm.

trillion yen of bonds into its investment portfolio by the end of 2012⁷⁸. The Chinese government's purchase of national bonds is never merely an economic decision, but political as well. When Chinese top economists question the government's holding of U.S. debt, a political motive is mentioned, as the debt holdings are a binding device⁷⁹. Considering that Japan has the world's highest debt to GDP ratio, over 200%, the increase of Japanese debt purchase is even more suspicious from a strictly economic perspective. Politically, however, China stands to gain some leverage by holding a large amount of Japanese government bonds⁸⁰. At the very least, it can serve to remind the Japanese government that cooperation with China is necessary.

In all, economic interdependence has been deepened considerably. The economic relationship does provide strong incentive for more cooperation rather than more balancing. On the one hand, in order to boost a stagnant economy, Japan cannot afford to lose the Chinese market, as China cannot lose Japanese market either. On the other hand, the economic connection between China and Japan has implications for Japanese domestic politics. Business groups closely connected to the Chinese market will continue to have a strong interest in maintaining a good political relationship, and they will be strongly against a balancing strategy. Many Japanese business tycoons openly criticize their government's hardline policy toward China. The wealthiest Japanese in the Forbes

⁷⁸ Zhao Qian. "China increases Japanese bond holdings", *Global Times*, May 29, 2013, accessed October 31, 2013. <http://english.peopledaily.com.cn/90778/8262977.html>.

⁷⁹ David Li. "Beijing should cut back its lending to Washington", *Financial Times*, October 15, 2013, accessed October 16, 2013. <http://www.ft.com/intl/cms/s/0/2d7f44ec-3585-11e3-b539-00144feab7de.html?siteedition=intl#axzz2hxE7iMgN>.

⁸⁰ Ambrose Evans-Pritchard. "Beijing hints at bond attack on Japan", *The Telegraph*, September 18, 2012, accessed September 30, 2013. <http://www.telegraph.co.uk/finance/china-business/9551727/Beijing-hints-at-bond-attack-on-Japan.html>.

list, Tadashi Yanai, who own a large retail business in China, questioned the government's policy over the nationalization of the Senkaku/Diaoyu Islands.

In addition, Japanese business leaders, who often are the respected guests of the Chinese leaders, serve as unofficial messengers between the two sides. The former president and chairman of Itochu Corporation, Uichiro Niwa, even became the Japanese ambassador to China. Even though the business group's influence has declined after the collapse of the 1955 system, they still exert considerable influence in the society because of the wealth they possess. In sum, strong economic connections help mitigate the balancing tendency of Japan against China.

Of course, the economic connection is not smooth all the time and is not sufficient to guarantee peace. Conflicts might arise and even escalate as more economic-related disputes break out. Part of dispute over the oil and gas in East China Sea is a dispute over economic interests, as China was not satisfied with the arrangement about what it had invested in development⁸¹. The poisoned dumpling incident of 2008 also nearly stopped a summit visit. In 2011, the war over rare earth added fuel to the mutual distrust. However, in general, economic conflicts have been resolved, and experience with dispute resolution may prove helpful for other disputes. As mentioned previously, the problem might not always have its source in governmental relations, but more in the society. When the society harbors much hostility, there always will be politicians who want to exploit such sentiment, no matter whether in a democratic Japan or in an authoritarian China.

⁸¹ 06BEIJING4560:5; 06BEIJING8801.

4.4.4 Military

The military in China is highly secretive. The bureaucracy and society have little knowledge about its deployment and internal affairs. Leaders on the top of the CCP and the bureaucracy formally control the military. However, the control varies between leaders, especially for President Hu, who had limited connections with the army before reaching the top of the ladder of power. He was believed to have only loose control of the military⁸², and Japan had concerns about his capacity to restrain the behavior of his generals⁸³. The new leader, Xi Jinping, appears to hold stronger control over the military, or at least he is very determined to achieve this⁸⁴.

Meanwhile, the Chinese military in general has a culture that is characterized by negative views toward Japan, and is the advocate of the Old Thinking. According to

⁸² One case of such weak control of the military was that hours before the meeting between President Hu and Secretary of Defense Gates, the military launched the first test of China's stealth fighter jet. When Hu was told about the test, he was surprised and uninformed. It was commonly read as the challenge of military against the civilian leadership. Elisabeth Bumiller and Michael Wines. "Test of Stealth Fighter Clouds Gates Visit to China", *The New York Times*. January 11, 2011, accessed November 11, 2013. http://www.nytimes.com/2011/01/12/world/asia/12fighter.html?_r=0. Hu was reported to be startled by Gates' question about the test flight.

⁸³ 07TOKYO1353: 10. The Japanese foreign minister told the American "he has doubts that the ruling Chinese Communist Party has full control over the country's military. There were worrying signs that China's political leadership had not known in advance about the January anti-satellite (ASAT) missile test, nor about the transit of a nuclear-powered Chinese submarine through Japanese territorial waters in 2004. Japan suffered a similar rift between politicians and the military in the run-up to World War II." Similarly, the Japanese ambassador to China expressed concern about the civilian control of the military in China, see 07BEIJING3311: 7.

⁸⁴ Nozomu Hayashi. "Xi administration eager to hold 'absolute' control over China's military", *The Asahi Shimbun*, March 6, 2013, accessed September 6, 2013. <http://ajw.asahi.com/article/asia/china/AJ201303060073>. Also, Zachary Keck. "Xi Consolidates Control Over the Military", *The Diplomat*. August 3, 2013, accessed Sep 6, 2013. <http://thediplomat.com/china-power/xi-consolidates-control-over-the-military/>.

Shambaugh⁸⁵, the Chinese military is very “nationalistic”, and sometimes almost “Xenophobic”, and “many senior PLA officers evince a deep suspicion of the United States and Japan in particular”. They are extremely suspicious of Japan’s militarist tendency⁸⁶. Besides, they have little understanding of the importance of transparency and security⁸⁷, although a younger generation of officers appears better prepared in a limited way to engage the outside world.

As a result of the autonomy of the Chinese military from the government and its suspicion and hostility toward Japan, the military connection between China and Japan is limited, though China has made some effort to alleviate Japan’s concern. The two have held defense security talks over the years, although not every year. There have been nine defense security consultations since 1997. Defense ministers have exchanged visits, as have the commanders from each branch of service. Navy ships have made port calls since 2007, and China even invited Japanese officers to watch China’s military drill for the first time since 1949. The two have also tried to work out a maritime liaison mechanism in dealing with East China Sea disputes to avoid possible conflict. The increasing interactions were also well received by the Japanese, who told the U.S., “Chinese leadership is promoting defense exchanges during bilateral meetings, with China going so far as to take Japanese proposals and offer them as Chinese overtures. Senior-level Chinese visitors, especially from the People's Liberation Army Navy (PLA Navy), are

⁸⁵ David Shambaugh, "China's Military Views the World: Ambivalent Security." *International Security* 24 (2000), 55

⁸⁶ *ibid*, 66

⁸⁷ *ibid*, 55. Australians also noticed the Chinese antipathy to transparency. (06CANBERRA1430) Part of the reason is that the military still honors Mao’s military doctrine, which in essence a doctrine for guerrilla force and not for a modern state’s military.

much more frank. While they still read from talking papers during official meetings, in private sessions they are extremely frank, leading to rich and interesting discussions”⁸⁸.

In addition to these initiatives and exchanges, China has also made an effort to address Japan’s concerns about the Chinese military.

As the only victim of nuclear bombs in the world, Japan is very sensitive concerning nuclear weapons development. So after China conducted several nuclear tests in 1995, Japan for the first time suspended the free official assistance offered to China. China quickly reacted to Japan and declared a halt to nuclear testing and signed the Comprehensive Nuclear Test Ban Treaty in 1996. Besides, China has also made a considerable effort to solve the North Korea nuclear crisis. It organized the Six-Party talks. It also has increasingly coordinated its policy with the U.S. and Japan to exert influence on North Korea.

Military transparency is currently the major focus of Japan. On nearly every occasion when discussing the Chinese military, Japanese officials raise concerns over China’s sharply increased defense spending. Japan has often complained about the lack of transparency. China in turn, has recognized Japan’s concern and has tried to offer explanations. The largest part of the increased spending, according to Chinese senior leaders, is for raising the salaries for military personnel. Also, it is argued that increasing transparency is also a long term process; and further, that China as a developing power still needs to maintain some secrets to deter potential adversarial forces. China published

⁸⁸ 09TYKYO0939: 5

its first national defense white paper in 1995 and every other year since 1998. Policy-specific white papers have also been issued. The Department of National Defense started to have its own spokesperson since 2007 and holds news conferences regularly.

Even though expanded efforts have been made, the limited interaction between the militaries is not sufficient to relieve Japan's concern over a possible China threat. Worse, the sometimes reckless military action provokes unnecessary tension, strengthening rather than dampening the perception of threat in Japan. For example, a Chinese submarine was found to intrude into Japanese waters in 2004. In 2013, Japan accused that a Chinese frigate of having locked its weapons-targeting radar on a Japanese warship. It is unlikely all such actions have been approved directly by the civilian leaders, and the spokesperson for the Department of Foreign Affairs has many times told journalists that he/she did not know. The military may have initiated those aggressive behaviors by itself, given its secrecy and autonomy in operations.

Besides, some of Japan's concerns have not been addressed in a meaningful way. China's anti-satellite tests from 2004 to 2007 aroused serious concern in Japan. Japan considered it "symbolic of the PLA's 'real threat' to Japan"⁸⁹. However, China refused to release information about it and only insisted that it was a scientific experiment and promised no more such test⁹⁰.

Military posturing also represents the other side of the mixed strategy, often taking a tough stance against Japan's potential balancing behavior. Wiegand analyzes

⁸⁹ 07BEIJING3311: 7

⁹⁰ 08BEIJING2322

China's military actions from 1978-2008⁹¹ in disputed areas and how they link to different issues in the China- Japan relationship. Most of the military actions are related to either potentially internal or external balancing behaviors, such as the Japan-US security agreement (See Table 4.4).

Table 4.4. Japanese issues linked to territorial disputes by China

Disputed Issue	Number of Linkages
Japan-US security agreement	8
Wartime atrocities and visits to Yasukuni Shrine	5
Economic sanctions, foreign aid cut	5
SDF troop deployment	4
General Japanese military plans (missile defense shield)	3
Bilateral talks upcoming (other issues)	2
UN Security Council bid	1

Adapted from Wiegand 2009, 180

Compared to the political and economic connections, the military interaction is far from active. Due to its tradition and attitude toward Japan, the Chinese military often appears to be reluctant to build a real relationship with Japan. They send low-level officials to security talks⁹². Ships selected to make port calls are intentionally chosen not to be the warships the other side most wants to see⁹³. As the military continues its buildup, it will become a source of tension between China and Japan. Unless the civilian leaders can exert more control over the military, the efforts of anti-balancing will be

⁹¹ Even though Wiegand includes data from pre-1990s, the vast majority of events happen after 1990.

⁹² They would sometimes intentionally bring down the talk. Drifte, Reinhard. "Engagement Japanese Style." *Chinese-Japanese* (2002), p. 61

⁹³ China did not send the Sovremenny class destroyer bought from Russia, and Japan cancel China's visit to its AEGIS warship when China's navy made its first port calls to Japan in 2007. Song Xiaojun. "Ribei Yuanhe Quxiao Fangri Guanbin Canguan Zousijian (Why Japan Canceled the Tour of the AEGIS Warship for the Visiting Chinese Military Personnel)", *SanLian Shenghuo Weekly*, December 14, 2007, accessed September 20, 2013. <http://mil.news.sina.com.cn/2007-12-14/1556476667.html>.

largely neutralized. The tough stance of the military is of little help except to drag the two into a spiral of security dilemma and mutual balancing.

Even a cursory glance at the mutual relationship in the fields of culture, politics, economy and the military demonstrates just how delicate a challenge it is to elicit a favorable policy outcome from another country. China's efforts and their limitations help lead to an outcome highlighted in the previous section, that is, underbalancing, but the trend to balance is increasing.

4.5 Looking into the Future: What Driving the Changes?

The structural tendency of balance of power can be mitigated or strengthened, given different combinations of policies and interactions. In the previous section, I have discussed some factors frustrating the efforts of China to prevent balancing from Japan. In the following section, I will consider some additional factors that influence China's anti-balancing strategy.

4.5.1 Conflicting Policy Goals toward Japan

The debate over the New Thinking school of China's Japan policy illustrates the major differences over attitudes and policy toward Japan. The New Thinking group

envisions a peaceful coexistence of China and Japan as equal and normal states. On the other hand, there are those who insist on the Old Thinking and would predict a future of conflict for the two countries. Besides, as a perpetual threat to China, the PRC should seek revenge against Japan over its past—this remains a strong sentiment.

How to envision the future has direct implications for the present policy options. The vision of peaceful coexistence would help China foster a more benign relation with Japan, while the expectation of the recurrence of an imperial Japan tends to drag the two into a security dilemma and realist politics. Different visions also set different policy goals. For the former, there is no reason to seek national revenge; but for the latter, the nationalist desire for revenge and eventual glory is just postponed but never given up.

In past decades, these two schools have taken turns in determining China's Japan policy. Whenever a foreign policy incident breaks out, the old thinking becomes loud and dominates the policy. At other times, the government bureaucracy acts more in accordance with the new thinking. The military and a large portion of the public in general belong to the old thinking, while some intellectuals and government agencies are among those promoting the new thinking. Economic development is often the strongest reason cited by the New Thinkers to mitigate the effect of the old thinking approach. If the new thinking group continues to pilot China's Japan policy, there might be some fluctuation in the relationship, but the outcome of balance of power politics is unlikely to appear, as the two governments have determined to build a constructive relationship. Thus, what happened in Hu's regime is likely to be replicated in his successor's administration.

However, as more and more people with the help of advanced information technology join the discussion of Japan policy and impose new pressures on the government, the room for the those New Thinkers in the government to manipulate is more and more limited. The answer to the fundamental question of what is China seeking in its relationship with Japan is increasingly less clear.

The territorial dispute in the East China Sea has been a festering issue over the years. Even for the New Thinking, to concede to Japan or even to negotiate with Japan is extremely difficult nowadays. If the sovereignty over Senkaku/Diaoyu Island is or has to be included as the uppermost final goal of China's Japan policy, the hardline policy toward Japan seems to be more likely to dominate the policy circle. With their voices pitched on economic needs and their volume less likely to counter the noise of the hawkish policy advocates-- the New Thinkers will have to retreat from their current positions. Even those concessions they had previously made toward Japan will be renounced, as many are not written into formal treaties. If the policy goal of the hawkish nationalist dominates, then what China seeks is not underbalancing from Japan, but to dominate Japan utterly.

More broadly, the question of the long-term policy goal of its Japan policy is closely connected to the question of what China finally seeks in its wider foreign policy, especially when it gains enough power. It is just the local version of the debate over China being a status quo or a revisionist power.

4.5.2 *False Beliefs and Psychological Causes*

As mentioned briefly in the previous chapter, an overly optimistic view of China's power will fuel threat perception from other states. In the case of China, whether true or not, the media has persistently and successfully conveyed an image of a rising China and a declining Japan. When China started its economic reforms, Japan was a model. When Deng Xiaoping visited Japan in 1978, he was shocked and amazed by the modernization there.

However, after the rapid development in the post-Cold War era, especially in the 2000s, the aggregate of China's economy passing that of Japan seemed inevitable, while Japan struggled with its staggering national debt and notorious economic stagnation. This rapid change of power comparison has led many Chinese, even those experts who should be clearest on the matter, to display their arrogance. American diplomats reported their conversation with top Chinese scholars to the State Department,

The Chinese scholars we spoke with have extensive experience and numerous degrees from top Japanese universities, including Tokyo University and Waseda. Despite such pedigrees, their comments on the future of Sino-Japanese relations evinced a hint of arrogance and nationalism. Liang from Beijing University maintained that the "old economic relationship where Japan was stronger than China is over." Liu from Tsinghua seemed convinced that most Japanese economic leaders accept the fact that China's economic rise and Japan's stagnation will continue for years. Perhaps most dogmatic was Jin from CASS who likened today's Japan to Scandinavia "filled with young people who want to travel, spend money, and enjoy consumer goods, while China is like the Japan of the 1960s when Japanese worked hard."⁹⁴

⁹⁴ 08BEUJING3459: 13

After the financial crisis of 2008, this Chinese confidence in their own system gained an extra boost, as they considered the failure of 2008 a symbol of the incompetence of the West, or even the end of the West's domination. Foreign minister Yang told his Australian counterpart that "there is need for greater international rights from the world's 'rising power'"⁹⁵.

On the other hand, Japan is refusing to accept China's new ascendancy, which is not compatible with their view of China as an economically backward state. An example was the poisoned dumpling incident of 2008 (Gyoza Gate), prior to the Beijing Olympic Games. The incident was in the headlines of major Japanese newspapers for two weeks, because "the Japanese public is not ready to regard China as a superpower and the public 'loves to see China bashed in the press'", according to MOFA China division director Akiba⁹⁶. Masaru Tamamoto even claimed that "Japan's problematic relationship with China is rooted in its inability to regard China...as equal."⁹⁷

The emotional reactions between China and Japan are not conducive to the progress of a benign relationship. Without mutual respect, the relationship is not likely to move in a right direction. Believing that China now holds an upper hand, China will be likely to ask for more concessions and greater respect, as it believes its increasing power deserves more recognition, which Japan will naturally refuse to provide due to its pride. Such an attitude would thus sow the seeds for more conflict. Hence, many commentators, predicting the time when mutual relationship will eventually become amicable, put their

⁹⁵ 09CANBERRA376: 7

⁹⁶ 08TYKYO1138:3

⁹⁷ "How Japan Imagines China and Sees Itself", p.61

bets on sometime in the future when the power gap between the two is large enough to stop such attitudes.

4.5.3 China's Domestic Political and Economic Development

Domestic politics inside China have significant impact on its policy toward Japan. If pushing the direction of policy toward more cooperation requires political power and courage, we should expect that only when political leaders consolidate their power can they start to implement a more benign policy. In other words, during power transition, the relationship has a higher likelihood to turn sour. President Jiang established himself as the primary leader in the country after the death of Deng Xiaoping and many other revolutionary leaders in the middle of the 1990s. So, after an unsuccessful visit to Japan in 1998, Jiang's government was able to quickly turn its policy direction toward a better relationship. However, when Prime Minister Koizumi's visit to Yasukuni Shrine coincided with China's power transition between 2001 and 2005, mutual relations fell to their lowest point. When, in 2006, Hu had been in office for three years and had become the president of the central military committee the previous year, he was able to quickly initiate a thaw in the relationship. Moreover, he was said to take personal ownership of the relationship, resisting opposition to a better relationship⁹⁸. The recent power transition has once again coincided with a crisis, this one the over Senkaku/Diaoyu Islands, pushing

⁹⁸ 08BEIJING2010: 7

the relationship to its lowest point since the normalization. During the periods that are farther from the power transitions, mutual relations always enjoy their better times. In this respect, if Xi can consolidate his power soon, he can guide the relationship back to the right track whenever there is an opening, e.g., the resignation of a Japanese prime minister or natural disaster relief.

The further economic development of China in some ways also erodes mutual cooperation. In the past, China and Japan had a near perfectly complementary economy. China provided cheap labor while Japan offered capital and technology. However, as the economies of China is being transformed, several new realities are apparent: the labor cost in recent years is rising fast, the RMB is rapidly appreciating, and other issues impacting the economy are more salient. If these were not enough, the anti-Japan general public harbors deep hostility toward Japanese companies and properties. For these reasons, the competition between Chinese and Japanese companies is increasing and will continue to increase, and Japan might find China less attractive. If the trend continues, the economic base for a positive relationship will be eroded.

4.6 Conclusion

In this chapter, I explored different aspects of China-Japan relations, and argued that Japan is not balancing against China, though recent trends favor an expectation of increased balancing. Various Chinese policies and behaviors in politics, economics and

the military have implications for such underbalancing behavior. The willingness of the Chinese government to pursue a better relationship, the relatively good inter-government relationship, and the economic base for benign relations between elite groups all contribute to Japan's underbalancing. However, the conservative side of the Chinese elites and society, the increasing military power of China, and the manipulation of historical issues help account for increasing hostility. Furthermore, there are multiple factors that have implications for the future of the relationship. If China wanted to successfully counter a balancing policy from Japan, it should try to contain the negative factors identified above, while maintaining a clear view of the relationship between China and Japan. Two tigers cannot live in the same mountain, but what if living together is the only option? The future is always open to those who do not accept the predetermined outcome from the inter-state power structure. The vicious competition and struggle for balance of power can be largely avoided if leaders in both countries have the political wisdom and courage needed.

CHAPTER 5

SHARK EMBRACING MINNOWS: THE STRATEGIC INTERACTION BETWEEN CHINA AND ASEAN

"Growth has created growing strategic complexity between China, Japan, South Korea, India, ASEAN and Australia. Each will position itself to achieve maximum security, stability and influence."

"The size of China makes it impossible for the rest of Asia, including Japan and India, to match it in weight and capacity in about 20 to 30 years. So we need America to strike a balance."

----Lee Kuan Yew, 2009¹

The two quotes from former Singaporean Prime Minister Lee Kuan Yew depict a classic realist scenario for East Asia—the policy logic of maximization and balance of power. In view of his reputation as a grand master of political strategy and East Asian politics², it will not be wise to discount his words before making a thorough examination. Similar to neorealism, Lee suggests that China should be balanced by the regional small powers through allying with external powers, in particular, the United States. However, even the most diehard realist would not describe East Asia of the past two decades as a case of the classic balance of power. With respect to Southeast Asia³, more often than not, observers use terms such as hedging, engagement, bandwagoning, institutional

¹ 09SINGAPORE1057:6

² Lee, Kuan Yew, Graham T Allison, Robert D Blackwill, and Ali Wyne. *Lee Kuan Yew: The Grand Master's Insights on China, the United States, and the World*. MIT Press, 2013.

³ In this chapter, I use Southeast Asian states and ASEAN states interchangeably unless otherwise mentioned.

balancing, and soft balancing to describe the strategies of the ASEAN countries toward China. All these strategies can be considered as certain forms of underbalancing⁴. There is no lack of explanations for this failure of realism to capture the regional dynamics⁵. By critically examining what has been theorized and what has transpired in the relationship between China and ASEAN, this chapter assesses the related hypotheses proposed in chapter 2.

First of all, a composite of the power configuration will be provided, thus outlining the substance of a realist version of the China-ASEAN relationship. Next will come a survey of the strategies employed by ASEAN states toward China in recent times. After that, I will discuss how China's regional policy toward ASEAN has tended to shape its smaller neighbors' policies toward China. At the end of the chapter, based on the discussion, I will discuss the implications for the future of the China-ASEAN relationship.

5.1 Power Configuration and Realist Version of the Regional Relationship

ASEAN states, with the exception of Thailand, gained independence after World War II as a result of the defeat of Japan and the retreat of the European colonial powers. During most of the Cold War, the relationship between China and ASEAN states was

⁴ For example, Roy describes the strategy of hedging as "low-intensity balancing" with the U.S. combining cooperation with and assurance toward China (see Roy, Denny. "Southeast Asia and China: balancing or bandwagoning?" *Contemporary Southeast Asia: A Journal of International and Strategic Affairs*, 27 (2005), 313). The low intensity of balancing is exactly what underbalancing is. However, hedging is only one form of underbalancing. Institutional balancing or soft balancing could be viewed as another form of underbalancing.

⁵ Though published in 1995, Sheldon Simon's verdict about the combination of realism and neoliberalism in explaining ASEAN foreign policy is still valid today. He argues that realism explains the basic structure of regional dynamics, while neoliberalism increasingly explains the process and future trends. The two are mutually reinforced. See Simon, Sheldon W. "Realism and Neoliberalism: International Relations Theory and Southeast Asian Security." *The Pacific Review* 8 (1995): 5-24.

strained by ideological rivalry and China's export of revolutionary policy. The reversal of Chinese foreign policy in the wake of leadership change from Mao Zedong to Deng Xiaoping provided an opportunity for a new relationship⁶. The Vietnamese invasion of Cambodia from 1978 to 1991 served to better relations between China and the ASEAN states, especially Thailand. Just before the end of the Cold War, restoring the suspended relationship with Indonesia in 1990 and establishing diplomatic relations with Brunei in 1991, China eventually normalized diplomatic relations with all countries in Southeast Asia. The end of the Cold War brought significant change to the regional structure, and Vietnam's withdrawal from Cambodia also indicated the end of the expedient alliance between ASEAN and China against an aggressive Hanoi. A new chapter in regional dynamics was set to unfold.

For realists, relationships are determined by the distribution of power. Hence, a realist perspective should start with a look at the power configuration in the region. Unlike Japan, ASEAN states are middle and small powers, which by themselves are insufficient to compete with China in terms of power. By using the same measurement as a neorealist, I will compare relative power by the size of "population and territory, resource endowment, economic capability, military strength, political stability and competence."⁷

⁶ Lee Kuan Yew talked about how China abandoned its revolutionary foreign policy in his meeting with U.S. senator Bill Nelson. In 1978, when Deng Xiaoping visited Singapore and asked Lee what China should do to convince Southeast Asian not to fear China. Lee replied that China just needed to stop supporting local insurgencies with arms and propaganda. Deng agreed to do so but said he needed some time, and after a year China stopped supporting the local communist groups in Southeast Asia. See 09SINGAPORE773:9

⁷ Kenneth N. Waltz, *Theory of International Politics* (Reading, MA: Addison-Wesley, 1979), 131.

Population and Territory. Even when all ASEAN states are combined, there is less population and smaller territory than China (see Table 5.1). China's population is nearly double that of all ASEAN states put together, and PRC territory is also about 2 to 1. It should be added that the variation in terms of population and territory inside ASEAN is also enormous, ranging from a city-state, Singapore, to the sprawling islands of Indonesia. Singapore is about the size of a medium Chinese city, while Indonesia has 1/6 of China's population and 1/5 of its territory.

Resource endowment. China's vast territory encompasses rich natural resources. Viewed as a whole, ASEAN also possesses a variety and an abundance of natural resources. Among top ASEAN exports, several are raw materials, such as petroleum, natural gas and oil, natural rubber, palm oils and coal⁸. As with population and territory, the internal variance is enormous. Singapore does not have any endowment of this sort, while Indonesia is a raw commodity-exporting country, abundant in coal, oil, etc. As a result of Chinese economic development and the expanding trade between China and ASEAN, the latter has become one of the most important sources of raw materials for China. If ASEAN is considered as a whole, its natural endowments might be comparable to China.

Economic power. Most Southeast Asian countries enjoyed a surge in economic development after World War II. At the end of the Cold War, China's economy was about the size of the ASEAN- 10 states. Yet, by 2011, China's economy had become more than three times the size of all ASEAN states combined (see the figure in Table

⁸ ACIF 2012, "ASEAN: Top 20 Export Commodities", P25.

5.1). In the future, it is likely that the disparity of economic power will continue to increase, assuming the present trajectory of economic development of every country continues at a similar level. As a result, ASEAN states will likely face a stronger and stronger Chinese economy.

Table 5. 1. China and ASEAN states: territory, population and economy as of 2011

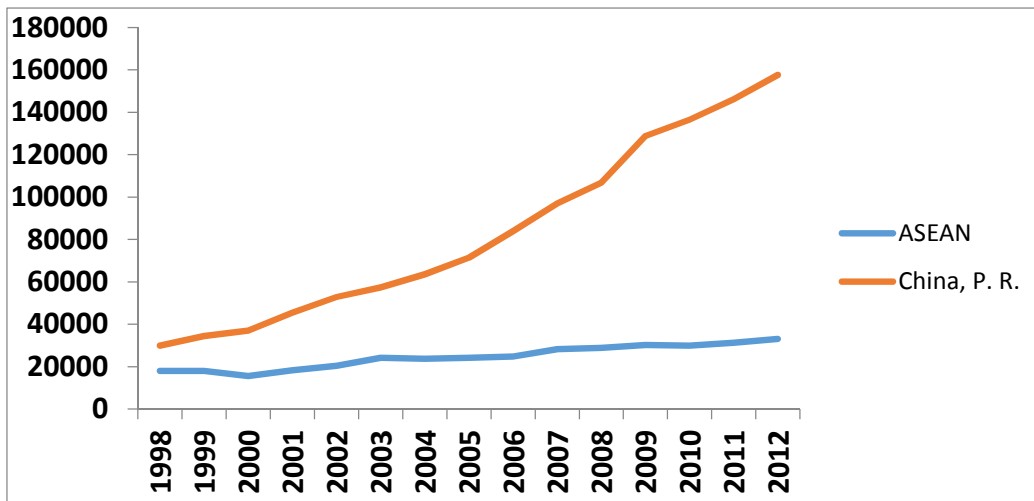
Country (at current prices)	Total land area (sq km)	Total population (million)	Gross Domestic Product	
			(US\$ Billion)	(PPP\$ billion)
Brunei Darussalam	5,765	0.423	16.360	22.005
Cambodia	181,035	14.521	12.775	33.216
Indonesia	1,860,360	237.671	846.821	1,125.619
Lao PDR	236,800	6.385	8.163	18.035
Malaysia	330,252	28.964	287.923	462.132
Myanmar	676,577	60.384	52.841	84.138
Philippines	300,000	95.834	224.337	411.013
Singapore	714	5.184	259.858	314.881
Thailand	513,120	67.597	345.811	602.074
Viet Nam	331,051	87.840	123.267	302.135
ASEAN	4,435,674	604.803	2,178.157	3,375.249

Sources: ACIF 2012 and CIA World Factbook

Military strength. China's military modernization has been well funded for more than two decades thanks to its economic development. The continuous increase in spending has rendered it second place in the ranking of military spending among all nations of the world. Though it has not aroused as much concern in Southeast Asia as has

Japan⁹, ASEAN states have no illusion about their potential to compete with China in military strength. ASEAN's military spending was hit hard by the economic crisis of 1997, and it took them some years to recover. Most of the ASEAN states' militaries are chronically underfunded. For example, the Indonesian military could only get about 40% of what it needed in 2008¹⁰. Even with the largest budget in the region, Singapore, only spent about 1/17 of what China invests in its military¹¹ in 2012 (see Table 5.2). Even though military spending is not the same as actual military strength, still it is a good indicator for the scale of power and the trend of military development. As the economic gap between powers widens, defense spending will continue to show a growing disparity.

Figure 5. 1. Military Spending of ASEAN (ASEAN 10 minus Laos and Myanmar, for which SIPRI does not have reliable data.) and China from 1998-2012



Source: SIPRI

⁹ Based on leaked U.S. diplomatic cables (the latest till 2010), on every discussion about regional security or China's defense development, Japanese officials almost always for sure raised the issue of China's military spending, while Southeast Asian states rarely discussed such issues with their American counterparts. See wikileaks.org

¹⁰ 08JAKARTA749:8.

¹¹ According to the data of SIPRI.

Table 5. 2. Military expenditure by country, in constant (2011) US\$ m., 1998-2012

Year Country	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam	China, P. R.
1998	425	142	2095		1988		2095	7436	3916	...	29901
1999	380	147	1808		2689		2068	7575	3391	...	34454
2000	359	136	...		2441		2186	7327	3180	...	37040
2001	331	123	1925		3037		2062	7502	3312	...	45422
2002	352	114	3130		3451		2171	7909	3321	...	52832
2003	367	114	4079		4400		2419	7987	3377	1471	57390
2004	290	111	4194		4247		2279	8138	3047	1507	63560
2005	351	114	3643		4543		2322	8645	3070	1572	71496
2006	395	140	3699		4446		2401	8718	3199	1850	84021
2007	409	128	4448		4964		2630	9055	4216	2386	96906
2008	422	135	4150		5077		2630	9126	4962	2350	106774
2009	414	264	4336		4792		2532	9430	5917	2581	128869
2010	432	194	5092		4186		2657	9250	5227	2878	136467
2011	415	192	5705		4807		2701	9218	5520	2686	146154
2012	402	210	7048		4662		2815	9249	5334	3397	157603
2012 current US\$	411	217	6866		4697		2977	9722	5387	3363	166107

*Empty entries mean data unavailable or not reliable; China's data is estimated and not the same as Chinese official data.

Source: SIPRI

Political Stability and Competence. With the exception of Singapore's government, China's Communist Party government arguably outperforms all other ASEAN governments in terms of maintaining stability and promoting economic development. Although most of the ASEAN states have been able to achieve continued economic growth, some of their governments are fragile and face corruption. Poorer countries like Myanmar, Laos, and Cambodia have the least capable governments, while other countries suffer from domestic instability, such as Thailand, Philippines and increasingly, Malaysia. The financial crisis of 1997 triggered a wave of domestic chaos in several Southeast Asian states, from which many took years to recover. Even though China faces tremendous domestic challenges to its stability, there is little reason to

suppose that most regional states¹² can fare better. In addition, if competence of a government is defined as the capacity to extract resources from the society to pursue its policy goals, only a few states among ASEAN can claim they are better than their Chinese counterpart. In Global Competitiveness Report by World Economic Forum, only Singapore and Malaysia rank ahead of China over the years since its initial publication in 2008¹³.

Based on the survey of the four components of power¹⁴, the disparity between China and individual ASEAN states is more than obvious. China clearly enjoys significant advantages over its much smaller neighbors in Southeast Asia, and if the balance of power theory was correct, these small states would have balanced against or bandwagoned with China. To bandwagon with China would be a less preferred choice compared to balancing, as it would mean the loss of autonomy. So to balance against China is first considered here. Moreover, due to the vast difference of power between them, external balance would be the only practical option, which is reflected in Lee's cited comments.

However, as will be detailed in the following section, this realist balance of power theory has not been borne out. And for many observers who want to save realism from the embarrassment of the failure of explaining regional dynamic, balance of threat theory

¹² Again, Singapore is the exception. However, it has not had to deal with political transition since it was established. When the senior leaders, especially Lee Kuan Yew, pass from the scene, challenges to its political system might emerge.

¹³ There are different rankings of the capacity of government, such as World Bank's World Government Index. However, such an index normally includes democracy and human rights. In order to show the competence of government in terms of policy and management, the business cycle might be a better judge in how good a government is. All reports can be accessed from <http://www.weforum.org/>.

¹⁴ See footnote 6 in p.3.

is carefully brought forward and viewed as promising¹⁵. Again, we will examine the four variables put forward by balance of threat theorists, namely, aggregate strength (size, population, and economic capabilities), geographical proximity, offensive capabilities, and offensive intentions.

Aggregate strength. As discussed previously, China enjoys overwhelming advantage over the individual ASEAN states. Even the combination of all ASEAN states is insufficient to match China in terms of material power by a realist definition.

Offensive capacity. Even the most optimistic observer of China's military would not contend that China has a power projection capable of covering all ASEAN states. For the land powers, China's offensive capacity is not as controversial. However, half of ASEAN countries are maritime and thus pose significant difficulties for China. Hence, many scholars argue that China lacks of capacity to challenge sea powers in the region. Of course, this argument is true in the sense that China does not have carrier battle groups or naval power comparable to the U.S. in any meaningful sense. However, China's submarines and missiles can provide considerable offensive capacity. And even if there is a lack of battle-ready aircraft, China has a large number of war ships that can cover a large part of the South China Sea, not to mention that it also faces weaker navies. The two naval skirmishes between China and Vietnam in the South China Sea in 1974 and

¹⁵ Peou, Sorpong. "Realism and Constructivism in Southeast Asian Security Studies Today: A Review Essay." *The Pacific Review* 15 (2002): 119-38.

1988 respectively suggest that even a weak Chinese navy can still inflict damage on its even-weaker neighbors.

In addition, the navy is a primary focus of Chinese military modernization. Progress can be expected to be on a fast track. More aircraft carriers are being built and many new warships are being commissioned at an increasing pace. In 2013 alone there were 19 new warships commissioned¹⁶, and most of them were dedicated to the South Sea Fleet, whose mission is to defend China's interests in the South China Sea.

Geographical proximity. With the advance of technology, the distance between China and Southeast Asia is no longer considered great enough to stop power. Distance is not an obstacle as the region is in China's backyard.

Offensive intention. Offensive intention might be the most controversial, as it is subjective. During most of the Cold War, China was viewed with suspicion in Southeast Asia for its support of local communist groups, which often involved the overseas Chinese community. In the post-Cold War era, despite China's efforts to demonstrate its commitment to peaceful development, ASEAN states are still suspicious about China's longer-term intentions, especially for those having territorial disputes with China. Even Thailand, a country often ranked at the bottom of threats perceived from China¹⁷, is "quietly suspicious of China's real agenda in the region and is concerned about its

¹⁶ Xu San. "China Navy 2013: the First Nuclear Submarine Retired and 19 New Ships Commissioned". Liaowang Dongfang Weekly, January 2014, accessed March 25, 2014. <http://news.takungpao.com/military/defense/2014-01/2174290.html>.

¹⁷ For example, Whiting, Allen S. "ASEAN Eyes China: The Security Dimension." Asian Survey 37 (1997): 299-322.

influence in ASEAN.”¹⁸ For many, China’s peaceful development might be viewed as just a cover to bide its time.

Combining the past record and the future uncertainty, if the wisdom of realism were right, balancing would be a reasonable choice for the Southeast Asian states. As time is believed to be on China’s side, if balancing is a necessary policy option, then it should be expected sooner rather than later. As outside powers, such as India, Japan and ultimately the U.S., are available for external balancing, the other option from realism, that is, bandwagoning, is less likely. If balancing is possible, then bandwagoning is unnecessarily because it would place a country in a dependency relationship. .

5.2 ASEAN’s Current Policy toward China

If balance of power/threat theory were correct in predicting the behavior of individual ASEAN states, then to balance against China would be a rational choice for them. However, in reality, the policies of ASEAN states do not seem to converge on all-out balancing, but rather underbalancing with a tendency to build ties to both China and other powers, the U.S. in particular. In addition, while the gap in terms of aggregate strength and offensive capacity favors China, and given that geographical proximity is a constant, the only variable that seems to be subject to significant change is offensive

¹⁸ 04BANGKOK7313:13; also 08BANGKOK1283:3. U.S. officials described Thailand’s understanding of China was “naïve” (05BANGKOK5791:5), while interestingly Hanoi said U.S. engagement policy toward China was “naïve”(08HANOI243).

intention. However, individual ASEAN states' policy changes do not always seem to arise from a change in threat perception of offensive intention from China. It is also hard to reduce all explanatory power to the change of offensive intention. For example, the military junta of Myanmar is veering away from China's circle and gradually approaching the U.S. as it initiated democratization in 2010. This is unrelated to any Chinese offensive intention.

The power structure of the relationship between China and Southeast Asia, i.e., consisting of China and several smaller powers in the region, would seem to call for a balancing reaction from smaller powers. The evidence for this is reflected in policy convergence for ASEAN states. Despite their internal differences, they more or less adopt a policy of underbalancing against China. Even though authors use their own terms to describe such a policy of ASEAN states toward China, most of them agree that ASEAN states do not purely balance against China, but rather adopt a mixed strategy, including the elements of engagement and balancing, a strategy which was coined by Roy as "hedging"¹⁹.

On the one hand, the system is pressing these states toward balancing. Considering the vast power difference, external balancing is the only practical option. So ASEAN states are compelled to unite as a bloc, or/and reach out to great powers outside the region. Theoretically, ASEAN could build a regional bloc to counter China. However, as

¹⁹ Denny Roy. "Southeast Asia and China: Balancing or Bandwagoning?". *Contemporary Southeast Asia: A Journal of International and Strategic Affairs* 27 (2005): 305-22.

Simon observed, such an effort is still far from a military alliance like NATO²⁰. While ASEAN adopts a consensus approach in decision making, the rivalry and mistrust among ASEAN states prevents a unified stance against China, especially when China is working to disrupt such a unified stance. In 1996, ASEAN as a smaller grouping took a unified stance against China over its action on the disputed Mischief Reef. However, later in 2012, when ASEAN became a 10-member organization, its members could not agree on even a joint communiqué on the South China Sea against China, the first failure in its history to issue a joint message. Cambodia, a long term beneficiary of China's generosity, the chair of ASEAN that year, was said to yield to China's pressure²¹.

History and reality force ASEAN states to ally with outside powers, mainly the U.S., to balance against China. These countries, though having various relationships with China, all seek a stable and reliable American presence in the region. When sharing their thoughts with the U.S. officials over regional stability and China, they all have expressed a desire for more U.S. involvement. Thailand, emphasized the vital role of the U.S. in the region²², and said the U.S. presence was universally welcomed in the region²³. Singapore tried to "anchor" the U.S. in the region²⁴. Indonesia and the Philippines considered the U.S. presence as a counterbalance to China²⁵. Even Burma wanted the U.S. in the region²⁶. While publicly supporting China's peaceful rise and having a history of strong

²⁰ Sheldon Simon. "ASEAN and Multilateralism: The Long, Bumpy Road to Community." *Contemporary Southeast Asia: A Journal of International and Strategic Affairs* 30 (2008): 264-92.

²¹ Luke Hunt. "Can ASEAN Unite On South China Sea?", *The Diplomat*, November 17, 2012, accessed March 26, 2014. <http://thediplomat.com/2012/11/can-asean-unite-on-south-china-sea/>.

²² 05BANGKOK7030.

²³ 10BAGKOK269.

²⁴ 06SINGAPORE:3538.

²⁵ 06JAKARTA10399; 07MANILA2707.

²⁶ 09RANGOON548.

anti-West sentiment, Malaysia moved closer to the U.S. after Prime Minister Mahathir retired. U.S. navy warships increased port calls to Malaysia from 3 to 23 between 2003 and 2007²⁷. Moreover, as time goes by, the trend is increasingly obvious. Singaporean PM Lee Hsien Loong told the U.S. ambassador to Singapore in a meeting in 2005, “Fifteen years ago, when Singapore and the United States signed the MOU allowing U.S. forces to lease facilities in Singapore, others in the region kept quiet or complained. It is different now... When we signed the SFA, they knew that the United States was a friend who could be useful.”²⁸ They clearly know that the involvement of the U.S., even Japan and India, is necessary to maintain their autonomy.

On the other hand, despite the consideration and effort to balance against China, ASEAN states seem to believe an optimal position is to stay in-between China and other great powers to gain the most advantages for their autonomy. While ASEAN states try hard to stabilize and increase their linkages with the U.S., they also try to enmesh or engage China in multilateral networks in the region. China is welcomed into ARF, ASEAN Plus 3 and other different regimes led by ASEAN. ASEAN is also quick to embrace China’s proposal to increase mutual links. ASEAN established a strategic partnership with China in 2003 and accepted the PRC offer to build a free trade zone. Individually, ASEAN states, as will be detailed later, cooperate with China on various

²⁷ 07KUALALUMPUR651.

²⁸ 05SINGAPORE3618

issues. Many claim that they want both good relations with China and the U.S. to gain more room to maneuver²⁹.

While policies toward China might vary, it is safe to put all of them in the category of underbalancing. Though not wanting to dismiss explanations highlighted in many other writings, in the next section I will focus on how China can use its policy tools to reduce balancing behavior from its small neighbors. As will be shown, China's policies do make a difference in ASEAN states' thinking and policy toward China. The policy of underbalancing is at least partly what China makes of it.

5.3 China's Policy toward ASEAN: Courting the Potential External Balancer

For China, the possibility that ASEAN states might gang up against it persists as a major concern in its regional strategy. In 1995, the Philippines found that China secretly established structures in Mischief Reef and launched a strong protest against China's creeping assertiveness. Later, ASEAN was able to negotiate and form a unified stance against China, speaking with one voice³⁰. This incident served as a good reminder of the

²⁹ More broadly, as Simon points out, ASEAN states are pursuing a policy of making friends with all (see Sheldon Simon. "Is there a US strategy for East Asia?" *Contemporary Southeast Asia* 21 (1999):338). Singapore calls its policy a policy of "be friendly with every one" (09SINGAPORE1057:5), Hanoi "friends to all" foreign policy (09HANOI846), and Indonesia "zero enemy, thousand friends" (09JAKARTA2013).

³⁰ Ian James Storey. "Creeping Assertiveness: China, the Philippines and the South China Sea Dispute." *Contemporary Southeast Asia* 21 (1999): 107-8.

danger of being externally balanced. China's initial suspicion about ARF also reflected its fear of small states unifying against it³¹.

It is easier to handle a group of potential external balancers than an individual state that employs internal and external balancing. Beijing also knows that the best strategy for the small states is to profit from all large states involved in the region³². As a result, the formation of an anti-China bloc would not be likely if China provides strong enough incentives to attract ASEAN states. In other words, China has to adjust to the needs and interests of ASEAN states.

Indeed, such a policy has been in place since the 1990s, often referred to as Beijing's "charm offensive". Interestingly, even though the potential benefit involved in the South China Sea dispute is significantly larger than that of Diaoyu Island, the dispute has not attracted comparable domestic attention. This, in turn, has allowed China more room to maneuver, and the Chinese government has been able to implement its strategy in a more consistent way.

Courting the small states is a multidimensional task, ranging from cultural initiatives to military adjustments. The core of this effort is what is often called the "good neighbor policy". It is designed to display friendliness to neighboring states, making the neighbors

³¹ Rosemary Foot. "China in the Asean Regional Forum: Organizational Processes and Domestic Modes of Thought." *Asian Survey* 38 (1998): 425-40; Cheng-Chwee, Kuik. "Multilateralism in China's Asean Policy: Its Evolution, Characteristics, and Aspiration." *Contemporary Southeast Asia: A Journal of International & Strategic Affairs* 27(2005): 102-122.

³² In Chinese scholars' writings, such strategy is called Daguo Pingheng(大国平衡), meaning seeking a fine and balanced position between great powers to profit from the rivalry of great powers. It is very popular to describe the strategy of ASEAN states as Daguo Pingheng.

feel secure, and enriching the neighbors³³. Since the 1990s, from the leadership of Jiang Zeming to the current regime headed by Xi Jinping, the Chinese government has consistently declared that it would stick to this good neighbor policy³⁴. The stability of such a policy is in stark contrast to the policy toward Japan, which is often subject to sharp fluctuation.

5.3.1 Culture

Historically, the influence of Chinese culture in Southeast Asia has been less salient than it was in Northeast Asia. Confucianism did not have the dominant status in most ASEAN states as it did in Northeast Asia³⁵. Buddhism and Islam take center stage. As a result, the cultural link is harder to play for China. Despite the difficulties, Beijing has been investing in culture to approach ASEAN states. These efforts range from the less institutional activities, such as sporadic exhibitions and art performances, to the more institutionalized forms, such as establishing Confucius Institutes.

Every year, government-sponsored cultural groups travel to different ASEAN states to perform traditional Chinese dramas and exhibit Chinese arts. As many of these

³³ Chung, Chien-peng. "The" Good Neighbour Policy" in the Context of China's Foreign Relations." *China: An International Journal* 7 (2009): 107-23.

³⁴ After 2010, signs of China abandoning its benign policy toward ASEAN states have been noticed and discussed by many authors, especially after the escalated disputes in the South China Sea since 2012 with the Philippines and Vietnam. However, it is not clear at this point whether it constitutes a permanent policy change.

³⁵ with Vietnam as the sole exception.

activities are very Chinese, the audience mostly would be from the local Chinese community. Religious groups from China also try to build links with counterparts in Southeast Asian states. For example, in 2004, an Islamic group from Guangzhou visited Malaysia. Similarly, in 2004, China sent a Śarīra³⁶ to Thailand for exhibition. These sporadic activities help to create links between societies, possibly improving China's image among the societies' various groups.

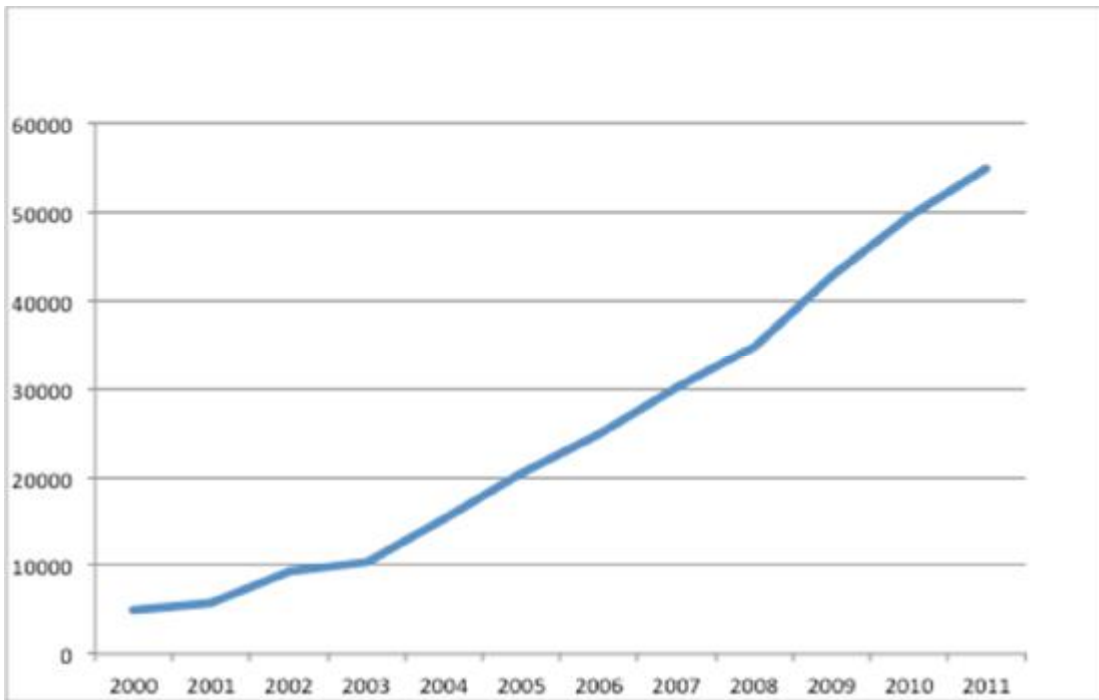
Education might be one of the best ways to foster goodwill. By attracting more students to China, China hopes students going back to home countries will have a friendly attitude toward China and be more sympathetic with China's perspective³⁷. Such efforts have been persistent³⁸ and fruitful. Students coming from ASEAN states to study in China have increased substantially. According to China's foreign department, the number has risen by more than 10 times in the first decade of 21st century (see figure 5.2).

³⁶ The relics come from the cremation of Buddhist masters. It is believed to be sacred in Buddhist beliefs.

³⁷ In the file of the Ministry of Education, the goal is said to create a group of foreign students who can understand China and be friendly toward China. see Ministry of Education, "Study in China Program"(Liu Xue Zhongguo Jihua; 留学中国计划), September 21, 2010, accessed February 26, 2013. http://www.gov.cn/zwgk/2010-09/28/content_1711971.htm.

³⁸ Xi Jinping recently promised another 15,000 scholarships to Southeast Asian students to study in China during his visit to Indonesia in 2013.

Figure 5. 1. ASEAN students in China from 2000 to 2011



Sources: China's Foreign Ministry, 2001 to 2012

In addition, China has also been establishing Confucius Institutes in ASEAN states, teaching Chinese and spreading Chinese culture. Adding to this, Chinese Ministry of Education also recruits volunteer Chinese teachers and sends them overseas to assist the local Chinese-learning community. Even though the exact number of students learning Chinese is not available yet, there are indications of a trend that Chinese is challenging English in Southeast Asia³⁹.

There is no existing comprehensive survey about ASEAN states' perception of China. Only the BBC World Service Poll provides some data on selective countries. And among ASEAN states, only the Philippines and Indonesia have been regularly surveyed (see table 5.3). In these two countries, the perception of China varies much across time—

³⁹ Jennifer Pak. "Is English or Mandarin the language of the future?", *BBC*, February 21 2012, accessed March 20, 2014. <http://www.bbc.com/news/magazine-17105569>.

the percentage of people holding positive attitudes toward China ranged from around 40% to 70% over the years. Perhaps the only positive outcome for China’s effort is that people who hold a positive view about China consistently outnumber those with a negative view. If the cultural approach were designed to change perception, then its short-term effect is dubious, even though few would doubt its important role in shaping long-term perception. In general, government’s role in promoting its culture’s popularity is also increasingly contested nowadays, as multiple sources of information exist for people on which to base their judgments. As in the case of its interaction with Japan, China lacks its “Korean Wave⁴⁰” to reach out to the majority of the society.

Table 5. 3 Perception of China’s influence on the world (Data: BBC World Service Poll)

Country (percentage of mainly positive)	Jan 2005	Jan 2006	Apr 2008	Jan 2009	Apr 2010	Mar 2011	May 2012
Philippines	70%	54%	48%	39%	55%	62%	n/a
Indonesia	68%	60%	58%	43%	43%	63%	51%

Sources: BBC World Service Poll 2005, 2006, 2008, 2009, 2010, 2011, 2012

The cultural approach by itself cannot overcome the balancing behavior in the short term, especially when one considers that most ASEAN states are either authoritarian states or new democracies and public opinion has little weight on foreign policy. In view

⁴⁰ The popular culture of Korea is very influential in the recent decades in Asia, which is called “Korean Wave”. Even in a country like Myanmar, Korean drama was so popular that Chinese diplomats worried that the military junta blocking the viewing of it would cause social instability. See 08Rangoon44.

of this, China's diplomatic maneuvers are even more important for its strategic goal to reduce the regional tendency to balance.

5.3.2 Diplomacy

Over the past two decades, the most successful region for China's diplomacy has been Southeast Asia⁴¹. To many observers, China's diplomacy in this region has appeared "remarkably adept and nuanced"⁴². In the words of regional leaders, China's diplomacy is also described as "clever"⁴³, "dexterous"⁴⁴. It would be too ambitious to address China's diplomacy toward Southeast Asian states comprehensively. Therefore, the focus here will be confined to how Beijing's policy maneuvers contribute to a reduction in ASEAN's potential balance against China.

As discussed previously, their own limited power leaves ASEAN states one balancing option, that is, external balancing⁴⁵. In this regard, there are two possibilities: one is to unite all (or at least most) small states in the region; the other is to ally with extra-regional great powers. Aware of the potential strategies, China has to prevent

⁴¹ Michael A Glosny. "Heading toward a Win-Win Future? Recent Developments in China's Policy toward Southeast Asia." *Asian Security* 2 (2006): 24-57.

⁴² David Shambaugh. "China Engages Asia: Reshaping the Regional Order." *International Security*, 29, no. 3 (2006): 64-99.

⁴³ 07JAKARTA1656:20

⁴⁴ 05SINGAPORE3618:7. Singaporean PM Lee Hsien Loong said China was very "dexterous" at deploying "soft power".

⁴⁵ It is still a better position than to bandwagon.

ASEAN from taking a unified stance or allying with an external power. In order to do so, China improves bilateral relations with individual ASEAN states on the one hand, while actively engaging in multilateral networks led by ASEAN on the other hand.

Unlike relations with Japan, China's efforts to improve bilateral ties with ASEAN states have been consistent since the end of the Cold War. Chinese leaders regularly visit their Southeastern neighbors every year, and even those weakest states, such as Laos, are not forgotten. In 2001, Chinese President Jiang visited Laos as the first ever visit of a Chinese president to Laos, which Kurlantzick recorded in his book, *Charm Offensive*. "For Jiang, the Lao government spared no expense, though Laos suffered from African levels of poverty. Laos was throwing endless banquets in honor of the Chinese delegation---and tearing down the beer stands to make room for the parties...Soon after, Laos, like other countries being wooed by China, was hit with China's whole toolbox of influence, from aid to trade to promotion of Chinese culture and language."⁴⁶ The year before, Jiang had also paid a first-ever state visit of a Chinese president to Cambodia. Every year, the exchange visits of senior officials are frequent. Indeed, Beijing rolls out the red carpet for leaders from whatever countries visiting Beijing, a level of respect some of them can't expect from Washington or other great powers.

Since several ASEAN states are authoritarian, state elites dominate the policy process. China takes special care to woo (even the potential) national leaders. During a Cambodian election, one of the party leaders received several warm calls from the Chinese embassy when his party had the chance to become part of the ruling coalition. Of

⁴⁶ Charm Offensive, 59-60.

course, when finally his party turned out to be excluded, the phone calls totally disappeared⁴⁷. China also paid for a new government building in Phnom Penh, even providing office supplies. Sihanouk, the beloved king of Cambodia, has regularly received funding from China. Gloria Macapagal-Arroyo, former president of the Philippines, got involved in a bribery scandal linked to China. Even though no details were available except that her husband was indicted in a telecomm deal with a Chinese company, the best period of relations between the Philippines and China in the first decade of the 21st century could be partly due to the personal relations built between Beijing and senior Filipino officials. Chinese officials attend dozens of meetings in ASEAN states every year, and every time they would bring a little gift to show their goodwill⁴⁸.

Diplomacy is also an art of timing. China is trying to be a friend in time of need to its small neighbors. When the 2006 coup in Bangkok forced the U.S. to suspend its military aid to the Thai military, China offered to make up the loss, and even double what was lost⁴⁹. In 2004, to save the lives of Filipino hostages in Iraq, President Arroyo ordered Filipino troops to withdraw from Iraq, which angered the Bush administration. The U.S. cut its aid, and Beijing made up the assistance and offered more⁵⁰. Thus in 2006, citing president Arroyo, Beijing said its relations with the Philippines were never

⁴⁷ Charm Offensive, 49

⁴⁸ 05SINGAPORE3618:7

⁴⁹ 10BANGKOK269:2

⁵⁰ *Charm Offensive*, 55-6.

better⁵¹. In 2007, President Arroyo claimed a golden age between China and the Philippines had come during Premier Wen's state visit to the Philippines.

While courting all ASEAN states, China also tries to create and cultivate special relationships with selected ASEAN states, especially those in difficult conditions. China not only provides aid, but also offers a political shield. When the Myanmar Junta was under the threat of international sanctions, China repeatedly resisted the international pressure and opposed attempts to form a UNSC resolution with respect to Myanmar⁵². Also, China did not hesitate to offer its recognition and aid to Cambodia in the 1990s, when the political chaos in Phnom Penh exposed the country to the threat of sanctions from the West. China's unconditional support was hard to resist for a leader desperate for recognition.

Another way to build a special relationship is through aid. Cambodia's foreign minister admitted that "Cambodia and China have good relations based on China's providing loans, investment, and tourists"⁵³. China can influence the recipient country's policy directly with its aid bundle. In 2009, Cambodia promised the U.S. that it would not deport a group of Uyghur asylum seekers back to China⁵⁴. However, two days before a scheduled visit of then vice president Xi Jinping, the Cambodian officials' tone changed abruptly overnight and secretly let the Chinese government take back the Uyghur,

⁵¹ 06BEIJING23631:8

⁵² 09BEIJING344.

⁵³ 06PHNOMPENH894:9

⁵⁴ 09PHNOMPENH957

upsetting deeply the U.S. officials in Cambodia. Xi Jinping's visit was a success and China offered 1.2 billion dollars in assistance⁵⁵.

Given the special relationship with some ASEAN member states and the consensus approach that ASEAN is so proud of, it is understandable that ASEAN always has a hard time coming up with a unified stance against China⁵⁶ as even a single country can block the formation of consensus.

Another aspect of China's diplomacy toward ASEAN is on the multilateral front. Despite initial suspicions about regionalism led by ASEAN, China soon discovered the benefit of joining the regional mechanisms. ASEAN's efforts to bring Beijing into a regional network were well received in Beijing. As a result, showing its interest in regional networks and proactive participation in regional cooperation would be a natural policy choice for the leadership in Beijing. Moreover, Chinese participation in these regional organizations prevents such organizations from becoming a tool to isolate and balance against China. ASEAN-led organizations always follows the ASEAN way, a consensus approach for decision making. Technically China's membership in a consensus-approach organization prevents the regional organization being utilized against China.

Foreign minister Qian Qichen attended the ASEAN ministers meeting in Kuala Lumpur in 1991 and marked the first official contact between China and ASEAN. In 1996, China became a full dialogue partner of ASEAN. China also became an active

⁵⁵ 09PHNOMPENH954

⁵⁶ Myanmar joined ASEAN in 1997, and Cambodia in 1999.

participant in the ASEAN Regional Forum (ARF), working together with ASEAN states to frustrate the effort by some states, especially Japan and the U.S., to upgrade the organization to a conflict resolution regime.

To address the concerns of ASEAN about territorial disputes with China, Beijing signed the Declaration on the Conduct of Parties in the South China Sea, formally endorsing a peaceful resolution of the conflict. Later in 2003, China subscribed to the Treaty of Amity and Cooperation in Southeast Asia, becoming the first external power to sign the treaty⁵⁷.

For ASEAN states, one of their goals is to enmesh China into a regional network, and thereby socialize China's behavior by norms and increasing interactions. Even though China might be a long-term threat, its current behavior meets ASEAN expectations, encouraging rather than discouraging them to continue the regional institutional buildup. When China's multilateral approach indicates positive signs for ASEAN states, it is difficult for ASEAN to take a unified stance against China. In this circumstance, some will argue that the engagement approach can work even though others might insist a more confrontational approach is needed. Thus states' perception and policy will be divided by their interest and estimation of China's future behavior. In other words, as long as China does not show unrestrained aggressiveness but rather takes

⁵⁷ However, China has ignored a number of the provisions of both documents and both documents are not specific enough to regulate behaviors. Thus, a code of conduct is called for as a result of recent events in South China Sea and China has agreed to negotiate such code.

a cooperative stance dealing with ASEAN, ASEAN is highly unlikely to form an anti-China alliance.

China's diplomacy toward ASEAN, as positively assessed by many observers, has helped to change the calculation of ASEAN states about their interests with respect to China. The PRC provides political support when necessary, a fall back option when aid is difficult to seek. In general, the incentive provided by China's political maneuvers impacts the calculations and behavior of ASEAN states. China is attempting to establish itself as an alternative to other great powers, not as a threat.

While diplomacy is playing an increasing role, the economic side of the interaction has more direct influence in the incentive structure of ASEAN states, which will be the focus of the next section.

5.3.3 Economic Interaction: A Tale of Inevitable Rise

As China focuses on economic development and achieves considerable success, the PRC's increasing economic clout provides a ready and useful tool to influence the policies of ASEAN states. "The Chinese were skilled at using economics and trade to advance political objectives."⁵⁸ For one thing, the direct economic benefit provided by Chinese economic policy can attract ASEAN states to change policy stances. Economic

⁵⁸ Singaporean Foreign Minister George Yeo said to U.S. officials, see 09PARTO112706.

engagement creates interest calculations. By such engagement, China draws ASEAN states into its economic circle and cultivates dependence favorable to it. China is also using the economic engagement to persuade these small nations that China's rise is inevitable. Such an expectation of the future has a current effect on policy. For many observers, such as Shaun Breslin, China gains considerable power from the expectation that its rise is inevitable:

“Indeed, perhaps ironically, a key source of Chinese power is the assumption by others that it either has it—whether in the form of externally identified soft power or more tangible and ‘harder’ sources of influence—or, maybe more correctly, that it will have this power and influence some time soon. So alongside the reality of what China has done to date, fears—often well founded—of what China might do and become in the future might play some role in creating the very power that is feared.”⁵⁹

Researchers on the new relationship between China and ASEAN often refer to the financial crisis of 1997 as a turning point. The sudden eruption of the financial crisis caught the region off guard and sunk the regional economy, notably that of South Korea and ASEAN states. China was quick to declare that it would uphold the value of the Renminbi to avoid a competition of currency devaluation--even at the cost of risking its own export-led economy. In addition, China soon provided financial aid to Thailand. The U.S. and Japan were slow and reluctant to provide aid, choosing instead to lecture on financial reform and fiscal discipline. This contrast helped China cast an image of a responsible regional economic player. Even though by the end, China contributed far less

⁵⁹ Shaun Breslin. "Understanding China's Regional Rise: Interpretations, Identities and Implications." *International Affairs* 85 (2009): 818.

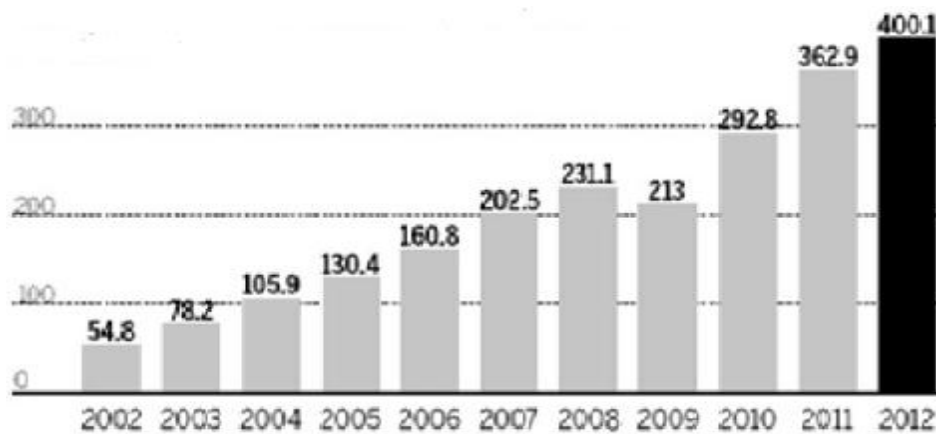
than Japan and the U.S. to stabilize the economy, it earned a disproportionate share of the credit. By handling the crisis favorably for ASEAN, China established itself as a reliable partner in regional affairs. More importantly, Beijing built an image of a source to turn to, responsive and generous.

China has also actively expanded its economic ties with ASEAN states. In 2000, China proposed a free trade agreement with ASEAN states, to the surprise of many countries inside and outside the region. The agreement was quickly reached and signed. A free trade zone embracing China and ASEAN was created. Adding to the free trade proposal, in order to speed up the process of tariff reduction and opening markets, China also signed up an “Early Harvest Program”⁶⁰. Besides such policy moves, China also signed various economic agreements with ASEAN states.

The active promotion of China’s economic ties with ASEAN states has yielded significant outcomes. Interdependence has risen to a new level (Figure 5.3), as measured by the mutual trade and investment level. In 2011, China surpassed Japan and the EU to become ASEAN’s largest trade partner. ASEAN has also been moving up the ladder of China’s largest trade partner, and currently ranking No.3.

⁶⁰ Early Harvest Program is the agreement between China and a few ASEAN states to reduce tariff on certain categories of products prior to the establishment of the Free Trade Area. The Early Harvest Program includes mainly agricultural products. As agricultural product constituted an important part of ASEAN’s export, the program helped significantly boost ASEAN’s export to China.

Figure 5. 2. China-ASEAN Trade Volume 2002 to 2012 (unit: billion dollars)



Source: Chinese Ministry of Commerce.

Mutual investments are also growing fast, even if from a very low starting point. Outward FDI from China is relatively new. In 2001, FDI from China to ASEAN was merely 147 million dollars⁶¹. However, in 2011, the number has reached 7,336 million dollars⁶², accounting for 6.7% of total FDI to ASEAN⁶³. Especially, China's investment is appreciated in less developed ASEAN states, such as Cambodia, Laos, Vietnam and Myanmar. China has become the largest investor in Cambodia and Myanmar in recent years.

In particular, China has also become involved in infrastructure building projects in ASEAN. Most ambitious among them is the Kunming-Singapore railway network. The railway network is set to connect China to all continental ASEAN states. Despite tremendous obstacles, China has invested considerable resources in promoting the project. For example, China agreed to provide 4.5 billion British pounds (about 7.2

⁶¹ ASEAN Secretariat, *Statistics of Foreign Direct Investment in ASEAN*. p. 32. 2006.

⁶² ACIF 2013, p.39

⁶³ Ibid, p. 40.

billion dollars) in loan to Laos to build the railway. This amount equals 90% of Laos' annual GDP⁶⁴. There is no railway network in Laos (it only has 2 miles of railroad in total). If such a transportation network can be established, China's neighbors will be more closely drawn into China's circle⁶⁵.

The chorus on China's rise has created an expectation that China will become a dominant power in the region⁶⁶. China's officials also skillfully promote the idea that its rise is inevitable and natural, given both its long history as a great nation and the current trend of development. The Beijing Consensus⁶⁷, or China model, has been portrayed as an alternative to the Washington Consensus. Even though the concept was not coined by Beijing, it obviously enjoys the confidence and respect associated with the concept. The notion especially is well received in Southeast Asia. The perception of China's success and its future prominence is an important source of its power, if not the most important one. China is more and more viewed as a source of future growth and power.

⁶⁴ David Eimer. "China's 120mph railway arriving in Laos", *The Telegraph*, January 14, 2014, accessed March 31, 2013. <http://www.telegraph.co.uk/news/worldnews/asia/laos/10572583/Chinas-120mph-railway-arriving-in-Laos.html>

⁶⁵ Officials from the U.S. embassy in Laos visited a remote village, which the proposed railway would pass (07VIENTIANE259). Residents of the village had never seen a train or railway, and they have no clue how this would influence their life. If the railway is built, then the resources of Laos can be exploited and to sell them to China would be a natural choice. First, the debt accumulated during the construction has to be paid off; secondly, China has the largest economy in the region and consumes most raw materials. As a result, the railway will be a tool to lock the region into China's economic development.

⁶⁶ Mingjiang Li. "Explaining China's Proactive Engagement of Asia", in Tang, Shiping, Mingjiang Li, and Amitav Acharya ed. *Living with China* (London: Palgrave Macmillan, 2009), p. 28

⁶⁷ Beijing Consensus is coined by Joshua Cooper Ramo in 2004 to refer to a development model illustrated by Chinese economic growth. There is no consensus on what exactly this consensus includes, rather, it serves more as an antithesis to the Washington Consensus. However, in general, people agree that Beijing Consensus indicates an economic development model without liberal democracy, an economic development under strong and sometimes suppressive state.

China's economic engagement with ASEAN incentivizes ASEAN states to change their behavior. They increasingly believe that China holds the key to long-term prosperity. The assumption that China creates opportunity is established and sustained by their economic interaction, reducing the idea of China as a threat.

5.3.4 *Military and Security*

If the previous two sections address the balance of power issue indirectly, China's efforts on military-related interaction have a direct impact on ASEAN states' perception of security. The military is at the core of a realist understanding of security. China's military interactions with ASEAN states largely fits into its new security concept, that is, one in which interaction and cooperation replace the old dynamics of confrontation and balance that were the characteristics of the Cold War.

Having its root in Deng Xiaoping's judgment of the major themes of the world, namely, peace and development⁶⁸, the new security concept was first put forward in 1996. Later, in 2002, China submitted a position paper on this same philosophy to an ASEAN foreign ministers' meeting, elaborating its understanding of the new security concept. The core of the new security concept emphasizes mutual trust, mutual benefit, equality and cooperation. With a focus on its peripheral countries, the new approach aims at building a new type of security relationship with its neighbors. Actually, the

⁶⁸ Gill, *Rising Star: China's New Security Diplomacy*, pp.3-5

development of the relationship between China and ASEAN states has directly shaped China's exercise of the new security concept. During the Cold War, the regional relationship was dominated by power politics and confrontational policies. China was haunted by the fear of being the target of balance of power when the new China Threat theory emerged immediately after the end of the Cold War.

By advocating the new security concept, China set aside realism for a more neoliberal worldview. The government is trying to demonstrate that a liberal and cooperative form of security relationship with China is possible. Hence, there will be no need for an arms race or an alliance, in other words, no need for internal or external balancing. Rather, equality of states, international norms, mutual respect and more fundamentally, mutual interest will be able to maintain security and peace. This new understanding of security leads to a policy approach of increasing interaction and cooperation, which guides the military interaction between China and ASEAN. China's multilateral and bilateral military interactions with ASEAN states stand out as good examples of how it has put into practice its new security concept.

Multilaterally, China engages ASEAN militarily with confidence-building measures, such as high level meetings and information sharing. China has regularly published national defense white papers. China also signed the Declaration on the Conduct of Parties in the South China Sea, rescinding the use of force to resolve disputes. In addition, it also acceded to the Treaty of Amity and Cooperation in Southeast Asia, the first among outside powers. China also actively participates in multilateral forums, such as ARF, Shangri-La Dialogue, and ASEAN Defense Minister Meeting. And even though

the regional multilateral security regime has not been able to address all security concerns adequately, these de facto talk shops have provided occasions for China to express itself and show off its benign intentions⁶⁹.

Bilaterally, the exchange of visits by military personnel, military assistance and weapons procurement are among the most effective tools. Such concrete expressions of equality and cooperation in the new security concept play out here.

The exchange of personnel has different levels, from top echelons down to field officers. China's most important military leaders have visited ASEAN states every year, and during various senior forums, high-level interaction is common. Chinese defense ministers have landed in all capitals of ASEAN states. Lower level visits, for example, a naval fleet making port calls, are also common. The PLA Navy has visited all ASEAN states except the land-bounded Laos. For most of these countries, it was the first time they had ever received Chinese naval ships.

In addition, China provides direct military assistance to some ASEAN states. When the Thai military was sanctioned by the U.S. for a coup in 2006, China made up for what it has lost from America. Cambodia's military is a long-term receiver of Chinese aid, ranging from uniforms to weapons. Personnel training is another important form of assistance. The U.S. has its military training programs for foreign servicemen (International Military Education and Training (IMET)), and when these people advance

⁶⁹ Since 2010, China has been criticized for being more and more aggressive in its foreign policy. However, it is not clear how far such change will go and it is permanent or temporary. In addition, the explanation for such change also varies: is it a result of increasing expansionist desire or a sense of vulnerability domestically and internationally?

to high ranks, the U.S. influence will be expanded. For example, all senior officials in all services of the Thai military have had experience in the IMET program⁷⁰. It is a solid foundation for mutual understanding and cooperation. Sharing a similar rationale, Beijing is also inviting other states' military officers into similar programs, especially for those being excluded by the U.S. This helps China to foster a special relationship with certain countries, which are important for China's regional anti-balancing strategy.

Arms sales are another way to promote a positive relationship. A weapon system is a long-term investment as the need for parts and maintenance will last much longer than the initial purchase. Moreover, switching between different weapon systems often involves significant cost, thus selling arms will be a good tool to build long-term relationships. In addition, considering the tight military budget situation in most ASEAN states, China's less expensive weapons could be a good selling point. Myanmar and Thailand are the two traditional buyers of Chinese arms in ASEAN. Gradually China is expanding arms sales to almost all Southeast Asian countries. For example, China sold missile technology to Indonesia in 2005, when the mutual relationship was upgraded to a comprehensive partnership. Unlike the West, China agreed to share the technology with Indonesia and jointly produce the missiles with some parts made in Indonesia. In order to promote its arms sales, Beijing often sells at "friendship price" and offers flexible payment options, which make it attractive to the foreign governments⁷¹.

⁷⁰ 06BANGKOK2484

⁷¹ For example, the Indonesia military was not happy about buying Chinese missiles because of quality concerns, however, the Department of Defense made the decision to purchase and jointly produce for the sake of cost. See 08JAKARTA288:5.

Another idea closely connected to the new security concept is non-traditional security⁷². China actively promotes the concept of non-traditional security and has invested considerable resources to increase cooperation with ASEAN states in this regard. In 2002 a joint declaration on cooperation on non-traditional security was issued in Phnom Penh by China and ASEAN. In 2004, China and ASEAN signed an MOU on cooperation on non-traditional security issues in Bangkok. The cooperation includes sharing information, personnel training, law enforcement cooperation, and joint research. China provides funding to cover the cost of all training programs held in China.

Besides the practical need to address the concern of cross-national threats, the emphasis on non-traditional security serves other purposes. It can be the starting point for discussions of more traditional security issues. Cooperation on non-traditional security issues, while often more trivial, can help China and ASEAN states learn how to work together and, at the same time, can serve to establish multiple connections between different agencies and personnel. It can also create more confidence and mutual understanding. Moreover, a successful story of cooperation could spill over to other issues and finally replace the traditional balance of power and confrontational policies with cooperative security regimes. In the name of non-traditional security, China and ASEAN states have conducted several military exercises that otherwise would not have

⁷² Non-traditional security in China and ASEAN's cooperation often refers to non-military threats, such as "piracy, smuggling, human trafficking, drug trade, transnational criminal organizations, illegal immigration, cyber-piracy and cyber-attacks, terrorism, subversion, and ethnic/religious movements". It could also include natural disasters. See Arase, David. "Non-Traditional Security in China-ASEAN Cooperation: The Institutionalization of Regional Security Cooperation and the Evolution of East Asian Regionalism." *Asian Survey* 50 (2010): 809. However, to deal with these threats often involves military power in these countries.

been possible. In addition, in China and ASEAN, non-traditional security issues often highlight the central role of the military; thus cooperation of this kind directly contributes to the cooperation between militaries⁷³.

China also deliberately restricts the role of its military in disputes with ASEAN states⁷⁴. Over the years, on different occasions and various documents, China has promised ASEAN to renounce the use of force to resolve conflicts. Unlike days before the mid-1990s, Beijing rarely sends military forces into disputed territories. More often than not, the maritime police forces deal with the conflicts. By distancing the military from direct confrontation with foreign entities, China has not only tried to minimize the scale of the skirmish, but has also prevented the more aggressive and nationalist military from tying the hands of the government in matters of policy.

In sum, by following the new security concept, China shows itself to be a more reliable partner on the one hand and an alternative to the U.S. on the other hand. Hence, to balance against China will not be likely a first choice for ASEAN states.

⁷³ David Arase. "Non-Traditional Security in China-ASEAN Cooperation: The Institutionalization of Regional Security Cooperation and the Evolution of East Asian Regionalism." *Asian Survey* 50 (2010): 808-833

⁷⁴ Since Xi took power, the military seemed to upgrade its profile in China's foreign policy and increasingly appeared in conflictual scenes (see Kishore Mahbubani, "Helping China's Doves", *The New York Times*, July 17, 2014). Whether this marks a turning point of Chinese foreign policy is still too early to tell. But if it does, it will be a good opportunity to further test the thoughts in this dissertation by establishing a contrast over different periods.

5.4 Contemplating the Future

Having reviewed China's effort to counter the potential of external balancing from ASEAN states, one question remains: will China's effort and ASEAN's underbalancing last? The pages that follow are devoted to assess the potential driving factors for change.

5.4.1 Nationalism and Territorial Disputes

Regarding Southeast Asia, it is thought that China's increasing nationalism will force the leaders to be more assertive on disputed issues, especially the territorial disputes in the South China Sea. Additionally, a nationalist China might expect the ASEAN small states to bow to its interest and needs, placing China in the center of the stage. Such a sense of superiority⁷⁵ might hurt confidence building measures, reduce the credibility of China's benign policy claims, and boost suspicion of China's long-term intentions.

However, there are reasons to be cautious about the effect of Chinese nationalism on its policy toward Southeast Asian states. Unlike Japan, ASEAN states are not in the center of Chinese nationalist sentiment. Facing a controversy with Japan, people from dozens of cities would go out and protest, posing a threat to the government. In contrast,

⁷⁵ There are already traces of such sense of superiority felt by officials from other states.

even though there might be sporadic voices suggesting that China should flex its muscle to teach some ASEAN states (notably, the Philippines and Vietnam) a lesson, no real consequence follows. No matter how serious the confrontation with some ASEAN states might be, Chinese society remains relatively calm even when the rhetoric may be overheated. During the latest Scarborough standoff of 2012, even the highly publicized protest in the Philippines against China did not ignite a counter protest within China. Thus, when dealing with ASEAN states, the Chinese government feels less pressure than when handling the fragile Sino-Japan relationship. As a result, the relationship between China and ASEAN is less likely to be hijacked by nationalism.

A recent event involving aid to the Philippines in the wake of a terrible typhoon is illustrative. Typhoon Haiyan came and devastated the Philippines in 2013. After the disaster, a large number of Chinese netizens called for no assistance to the Philippines as mutual relations had been soured by the dispute on the South China Sea. The initial governmental reaction to the disaster was obviously affected by such sentiment. It provided a paltry donation in the amount of \$100,000, described by one commentator as “is arguably regrettable from a foreign policy standpoint”⁷⁶. The international reaction embarrassed the Chinese government, and it soon realized that its reticence was a mistake. Despite the domestic opposition, the government increased the assistance by 1.6 million dollars and sent a naval hospital ship to the scene⁷⁷. This misstep in aiding the

⁷⁶ Greg Torodet. “No sign of help for Philippines from China's hospital ship”, *Reuters*, November 15, 2013, accessed March 31, 2013. <http://www.reuters.com/article/2013/11/16/us-philippines-typhoon-china-idUSBRE9AE0BA20131116>.

⁷⁷ “China to Send 'Peace Ark' to Help Typhoon-hit Philippines”, *VOA News*, Nov 20, 2013, accessed March 31, 2014. <http://www.voanews.com/content/china-to-send-peace-ark-to-help-typhoonhit-philippines/1793742.html>.

typhoon-hit Philippines and its subsequent correction indicates that the Beijing leadership⁷⁸ can still place strategic interest above popular sentiment.

Closely tied to nationalism, the territorial disputes in South China Sea can have a fundamental impact on the China-ASEAN relationship. These disputes involve Brunei, Vietnam, Philippines, Malaysia, Indonesia, Taiwan and China. It is possible that an escalation of such dispute can lead to a military skirmish, as it has between China and Vietnam in 1974 and 1988⁷⁹, thus forcing China and ASEAN to a military confrontation. Nationalism in each country makes it impossible for the government to back down from its claim, but for practical reasons an open conflict is unlikely. A battle of words is more likely than a battle of arms. Of course, countries like Philippines seem to use these issues to gain international media attention. This is a strategy to gain more benefit from competing great powers⁸⁰. Through the heated disputes with China in recent years, the Philippines has gained significant help from Japan⁸¹ and strengthened its alliance with the U.S⁸². China often times might be seen as the aggressor in these situations, but it behaves similarly with other claimants⁸³. It is simply not in China's interest to openly confront

⁷⁸ The initial policy response was more likely from lower level officials, and the correction should be from the top leaders, as the standard procedure of bureaucracy.

⁷⁹ At that time, Vietnam was not an ASEAN member yet.

⁸⁰ Chenchen Chen. "'Peaceful rise' will meet US containment", *Global Times*, November 16 2013, accessed April 2, 2014. <http://www.globaltimes.cn/content/823045.shtml>. It is an exclusive interview with professor Meisheimer.

⁸¹ Japan aided 10 patrol ships to the Philippines. See Camille Diola. "Japan PM: 10 patrol ships for Phl Coast Guard Soon", *the Philippine Star*, October 10 2013, accessed April 10 2014.

<http://www.philstar.com/headlines/2013/10/10/1243651/japan-pm-10-patrol-ships-phl-coast-guard-soon>.

⁸² The U.S. troops will be back to the Philippines. See Associated Press in Manila, "Philippines agrees to 10-year pact allowing US military presence", *The Guardian*, April 27, 2014, accessed May 27, 2014.

<http://www.theguardian.com/world/2014/apr/27/philippines-us-military-presence-china-dispute>.

⁸³ Often cited evidence of aggressiveness is harassing fishing boats and marine survey ships, but it is also common practice by countries like Philippines and Vietnam. There are numerous reports that Chinese fisherman have been attacked by coast guards or navy ships from some ASEAN countries.

ASEAN in these disputes. This is why China has agreed to negotiate a code of conduct, although it has delayed a formal agreement for over a decade.

However, it is unlikely China will back down from its claims or even clarify the meaning of its nine-dash line. The nine-dash line was drawn by the Republic of China government in the 1940s, and Taiwan and China share the exact same claim over the South China Sea. Any explanation of the nine-dash line⁸⁴ from China mainland might be contested by Taiwan and leave Beijing in danger of losing legitimacy among Chinese. Due to Beijing's strong objection, Taiwan is not a party to negotiations on the sovereignty issue. Thus, it leaves the clarification practically impossible.

In all, nationalism and territorial disputes are unlikely to unite ASEAN against China unless Beijing pushes ASEAN hard enough to balance against itself. Some ASEAN countries might still prefer stoking the disputes to attract international attention to pressure Beijing while Beijing is unlikely to back down. A final solution is not within sight.

5.4.2 Chinese Economic Development

Economic connections provides the foundation for Chinese influence in ASEAN. The volume of mutual trade and investment and the expectation of China's continued

⁸⁴ The nine-dash line is the demarcation line drawn by Republic of China government in the 1940s. It is recognized by PRC and Taiwan and serves as the base for their territorial claim in the South China Sea.

economic ascent are key variables in the consideration of Southeast Asian states' China policy. If China's economy loses steam, it might cause a chain effect leading to reduced influence in Southeast Asia.

In recent decades, China's economic connection with ASEAN has been on the rise and Chinese investment and aid continue to grow in the region. The latest goal is to boost mutual trade to 1 trillion dollars and mutual investment to 150 billion dollars by 2020⁸⁵. China also is pursuing ambitious infrastructure programs to connect itself and Southeast Asia. If these projects can finally be accomplished, ASEAN states will inevitably be drawn closer into the Chinese economy. By 2015, even the less developed ASEAN states will finally be included in the China-ASEAN Free Trade Zone. The economic interdependence seems set to grow. There is little likelihood that ASEAN states will find an alternative to China in terms of economic opportunity in the short term, even though they are diversifying. So, the economic base of underbalancing will be maintained in the foreseeable future.

5.4.3 External Powers

External powers, such as the United States, Japan, and India have increased their presence in Southeast Asia and actively engage ASEAN states. The Obama

⁸⁵ "China, ASEAN aim to boost trade to \$1t by 2020", *Xinhua News Agency*, October 10, 2010, accessed April 1, 2014. http://www.chinadaily.com.cn/business/2013-10/10/content_17020082.htm.

administration has claimed a “pivot to Asia”, declaring its aim to achieve an increase involvement in Asian affairs and military deployment. Japan and India also seek closer ties with ASEAN states, with the goal to balance against China’s influence. So the question is: will increasing great power involvement in the region encourage or incentivize ASEAN states to balance against China? The answer, for now, is that such a move is very unlikely so long as China continues (or resumes) its good neighbor policy. As detailed in previous sections, ASEAN states have a policy of making friends of all. If other great powers increase presence and try to court ASEAN states, and if China also decides to continue its policy of counter balance, then ASEAN states will still enjoy the position of being in the middle of all the great powers to maximize their interests.

In sum, China’s current policy to undermine the potential of ASEAN states to balance against China is likely to continue⁸⁶, and ASEAN states will continue their tendency to underbalance against China.

5.5 Conclusion

The power comparison between China and ASEAN has been clear enough to prevent ambiguity and miscalculation for Beijing. Hence, there is little debate inside

⁸⁶ The new Chinese leadership headed by Xi seems to continue emphasizing “good neighbor” policy. In the first year of the new administration, president Xi and Premier Li each visited ASEAN states and continues to display good intention. In Xi’s speech to Indonesia parliament, his major policy points are similar to those highlighted in this chapter. He also vows to build a community of common destiny with ASEAN.

China about how to deal with ASEAN. The fear of being balanced against by a unified ASEAN-- and/or ASEAN plus external powers-- forces China to build positive a link with ASEAN. The policy to court ASEAN has generated a favorable outcome for China by adjusting their calculation of interest. ASEAN, by not committing too strongly to one side, stands to gain the most out of the competition between great powers.

CHAPTER 6

CONCLUSION AND IMPLICATION: UNDERBALANCING IN THE SHADOW OF REBALANCING

If a theory can choose where to test its validity, realism might not be able to find a more favorable region than East Asia in the contemporary world, as it is a region fraught with historical rivalry, great power politics, economic competition and territorial disputes. If this weren't enough, regional actors hold strong realist beliefs in international politics. However, contemporary East Asian international relations, ever since the end of the Cold War, have tended to debunk realism and its core, balance of power theory. China, as a stronger power in the region by realist measurements, does not lead the region into a grim dynamic of balance of power. Rather, other regional powers have chosen to underbalance China.

Borrowing the concept of underbalancing from neoclassical realism, this dissertation has looked beyond structural and domestic variables to emphasize the agency of state actors. State policies and the interactions between states resulting from these policies fundamentally shape state behavior as it is dictated by the structure. The structure-focus realism correctly observes the push and pull of the power structure on state behavior, but it fails to see the resistance from other factors against the structure. Neoclassical realists, Schweller in particular, add domestic variables, which mainly concentrate on state power. They argue that state power is the fundamental reason why the structural command to balance fails to materialize. When a state is too weak to mobilize its resources and fragile, then underbalancing is a natural outcome.

Nevertheless, the policy of states in danger of being balanced, and the distinction between external and internal balancing are neglected in such narratives. As this dissertation has tried to demonstrate, the state facing the threat of being balanced can influence other states' policies to shape the outcome of balance of power, and the difference between external and internal balancing has a fundamental effect on policy choices that often undermine balancing behavior.

In this final chapter, I will briefly summarize the findings of this dissertation, and more importantly, I will bring the U.S. into the picture and discuss the implications of my discussion on the future balance of power politics in the region. In particular, I will focus on Obama's "Pivot to Asia" and China's initiative to give shape to a new type of great power relationship.

6.1 Findings

After the end of the Cold War, the changes in the international structure and the rise of what was known as China Threat theory alarmed the Chinese leaders, who feared the danger of being balanced. Traditionally, going back more than two thousand years, during the Spring and Autumn and Warring States period, ancient Chinese kingdoms already played a similar balance of power game before the first unified hierarchical state was established. The strategic interaction between the ancient states always reminded the Chinese leaders from then on of the importance of strategies. Such tradition combining

the dominance of modern realism theory in China¹, Beijing is keenly aware of the threat of being balanced against from other powers in the region. Thus came the turn in its regional policy in the 1990s, the introduction of the good neighbor policy.

China's efforts range from the cultural and the diplomatic to the economic and military. Through cultural, educational and human interaction, China tries to cast an image of a peaceful, civilized and modern state with a long history. It consummates in the propaganda of the idea of a peaceful rise, and later peaceful development and the rapid spread of Confucius Institutes in the first decade of this century.

The increasing interaction between senior Chinese leaders and their foreign counterparts also provides channels for mutual understandings, and more importantly, the chance to influence policy outcomes. Even though China is carefully avoiding interfering in other countries' domestic affairs, it does not hesitate to try to build ties with those in power. Political and economic assistance are provided whenever necessary to achieve its strategic goals.

China's engagement in multilateral organizations provides a forum to publicize its ideas and creates opportunities for meetings with foreign leaders and senior officials. In particular, it provides an alternative to summit meetings when domestic politics might not allow a direct bilateral visit, as illustrated by the interaction between China and Japan. Top leaders from both countries meet each other more often in a third country than in each other's territory. In addition, East Asian states actually prefer informal discussions

¹ David Shambaugh. "Coping with a conflicted China." *The Washington Quarterly* 34 (2011): 7-27.

during meetings to a formal process to deal with disputes². More meetings can mean more chances to resolve disputes. China actively participates in such meetings, especially those held by ASEAN, and always brings gifts to show its sincerity.

China's rising economy in the past decades provides it the most powerful tool available. And building strong economic connections with neighboring states is not only economically necessary, but also politically beneficial. Beijing expects that those groups that stand to benefit from China's expanding economy will prod their own government when necessary. More importantly, the close economic connection and the sheer potential of the Chinese economy alters the calculation of interest for neighboring states, as the Chinese market is more and more one key factor to prosperity.

Military cooperation helps to alleviate concerns over China's increasing military power. The idea of more transparency in military affairs is gradually accepted by Beijing's top decision makers, as showcased in their defense white papers and invitations for foreign military officials to visit Chinese military facilities. China also increases its participations in bilateral or multilateral military exercises. Promoting the idea of a new security concept, China engages ASEAN countries in more military cooperation.

China's multilayered efforts to undermine the incentive for regional states to balance against it demonstrate the agency of states in balance of power politics. States are

² David Arase. "Non-Traditional Security in China-ASEAN Cooperation: The Institutionalization of Regional Security Cooperation and the Evolution of East Asian Regionalism." *Asian Survey* 50 (2010): 808-33.

not waiting to be balanced according to the dictates of the international structure. Rather they devise policy and mobilize resources to counter the trend of the system.

For the first time in history, China and Japan—arguably, the region’s two great powers – have become a pair of comparable players, and two “tigers” have to live in the same mountain. In view of the fact of China surpassing Japan, and the historical rivalry, Japan should balance against China. The power of Japan permits it to do so both internally and externally. However, Japan is not balancing China in the traditional sense of balancing. Rather, Tokyo’s policy is to underbalance despite a recent trend of increasing balance. Beijing’s sometimes contradictory efforts to deal with Japan’s internal and external balancing, combining with Japan’s domestic changes, lead to Tokyo’s policy choice.

In order to counter Japan’s potential to externally balance China, Beijing implemented a friendly approach to elicit positive reactions from Japan. China’s such approach stems from the thoughts and proposals of the New Thinking School, and it comprises cultural, diplomatic, economic and military components. The long historical interaction between the two countries provides rich resources for China to promote cultural interaction. There is no lack of lovers of Chinese culture in Japan. Promoting better images of China in Japan is consistently a goal pursued by the Chinese government, even though the short term effect might be limited and unable to reverse the trend of an overall decline in Chinese popularity in Japan.

Chinese leaders have also tried to reach out to their Japanese counterparts during most of the past two decades. State visits are regular³ and meetings during multilateral forums and conferences provided opportunities for contacts even when the mutual relationship was grim. In addition, as inherited from leaders of previous generations, the personal connections between politicians on both sides are important resources for a long-term stable relationship, especially in crises, during which some can play the role of intermediaries.

In military affairs, China has also tried to increase transparency and bilateral interactions, even though such efforts have been modest and often were hindered by the strong nationalist sentiment held by the military.

As a counterpoint to the New Thinking School, many fear the threat of a remilitarized Japan, that is, a Japan internally balancing China. For them, China should take a tough stance to counter any signs of Japanese military buildup. The historical issue has been constantly used to delegitimize any of Japan's moves toward military development. In addition, the Chinese military also flexes its muscles against Japan when they deem it necessary, especially in the East China Sea. They believe it is necessary to be assertive whenever Japan tries to veer away from the post-World War II system.

The divided nature of the effort to deal with the potential of internal and external balancing weakens China's capacity to undermine Japan's balancing against China. Moreover, Japan's domestic changes since the late 1980s and early 1990s also contribute

³ Koizumi and the Second Abe administration are the two exceptions, but even Koizumi finished a state visit to China in 2001.

to the dilution of the Chinese effort. The decline of the bureaucracy, especially the MOFA, and the business community's influence on policy, has caused China to project less and less influence in Japan. In addition, with Japan's older generation politicians disappearing from the stage, China also is losing favorable Japanese politicians. China worried that Prime Minister Fukuda might be the last positive Japanese PM toward China.

In sum, the contradictory nature of China's two schools of policy, combining with Japan's domestic changes, is undermining China's effort to reduce balancing behavior from Japan.

In contrast to Japan, ASEAN states are relatively much weaker than China in almost all aspects of power. For them, the only option to balance is to externally balance against China by unifying their powers and/or to ally with external powers, the U.S. in particular. It is somewhat simpler for Chinese leaders to handle these potential external balancers. China is trying every means possible to court these countries. By establishing close relations and offering tangible benefits, these countries find that their best position would be to stay in-between the great powers, which they try hard to enmesh in the region. By entangling great powers in the region, they gain policy space for manipulation. China clearly understands such policy preferences, and thus casts itself as an exploitable source for ASEAN national interest.

Culturally, China influences ASEAN through cultural events, language programs and sponsorship of students, the latter with the hope that these students might have more sympathy toward China's position. Diplomatically, China displays its respect for these

small countries. In particular, China established close relations with particular countries inside ASEAN, so that no unified stance can be achieved against China. In the often heated disputes in the South China Sea, China has also carefully avoided antagonizing two or more countries simultaneously⁴⁴. It would try to calm others if it has open disputes with one, exemplified by its dealing with Vietnam and the Philippines. Multilaterally, China also actively participates in regional institutions steered by ASEAN. It prevents such institutions from being used against China, and it also satisfies ASEAN needs to engage great powers.

Economically, China's policy reaction to the Financial Crisis of 1997 marked a significant change in ASEAN's attitude toward China. China did not take advantage of ASEAN states' economic turmoil. The initiative to build an FTA with ASEAN and the Early Harvest program also strengthened China and ASEAN's trade relationship. China has become the biggest trading partner for ASEAN states. In addition, Beijing is also advancing an ambitious plan to build a high-speed railway to connect China and ASEAN states, pulling them into China's economic orbit. With the spectacular rise of its economy, China has also convinced some ASEAN states that its overall rise is inevitable, which gives China even more influence in shaping both attitudes and policy.

Military interaction is enhanced by military exercises and personnel training in the name of cooperation on non-traditional security issues. China has tried to replace the old power politics with the new security concept, which would render balance of power

⁴⁴ The recent events with Vietnam and Philippines signals a possible diversion from such policy. However, China's later removal of the oil rig prior to its original planned date might indicate a return to such policy position. The foreign policy of the Xi administration is still far from clear.

unnecessary. In addition, China also promotes arms sales in the region and provides free military training programs for some ASEAN states. The use of military forces in dealing with South China Sea disputes has also been carefully restrained⁵.

In sum, China has been able to establish itself as a necessary partner for ASEAN. Thus, ASEAN has no incentive to balance against China as long as all major powers are willing to be enmeshed in the regional network woven by ASEAN.

6.2 The Pivot to Asia and a New Type of Major-Power Relationship

Throughout this dissertation, the U.S. has not been explicitly discussed despite its paramount influence in the region, as it is the ultimate balancer to China. So, in the following section, I will discuss how the latest developments in U.S. strategy toward Asia, that is, the Pivot (or rebalance or reorientation) to Asia, influence the regional dynamic of balance of power.

Realists might be pleased to see the Obama administration's trademark strategic move in Asia, since it might finally fulfill what they have predicted for the region, an international system of balance of power and a new cold war against China. The Pivot to Asia is a comprehensive strategy, including political, economic and military components.

⁵ It is sometimes controversial as often when China insists it did not use military forces, other countries, like Vietnam, kept accusing China of military involvement.

The target of the strategic move is clearly the rise of China in the region⁶, even though this motivation is not publicly admitted by U.S. officials. Even though often distracted by domestic and foreign affairs, the rebalancing strategy has moved forward steadily. Politically, while entrenching the existing relationship with allies and friendly countries, the U.S. has reached out to countries in the region previously marginalized, such as Myanmar, Cambodia, Vietnam and Malaysia. For example, the historical visits by Secretary of State Clinton and President Obama signaled a pull of Myanmar away from China. Economically, the Trans-Pacific Partnership is an ambitious plan to create the largest free trade zone in the region, so far excluding China. It is a competition that aims to draw other states into the American economic orbit. Militarily, the Pivot to Asia will increase U.S. military presence in Asia Pacific by decreasing the deployment in the Atlantic. Moves have included rotational deployment of 2500 marines in Australia, new littoral combat ships stationed in Singapore, and a new pact to increase the temporary deployment of forces to the Philippines military bases. Every aspect of the Pivot seems to counter a certain part of China's regional policy.

So, the question is raised: will the Pivot lead the region into a realist future of rivalry? As repeatedly argued in this dissertation, the state being targeted has its agency and can determine its own policy in response. The leadership in Beijing has reacted to the Pivot with caution, avoiding harsh comments, although the Chinese public was more forthright in expressing its indignation at the seemingly obvious move of the U.S. to

⁶ The threat of China is commonly agreed on as a cause for the strategy, though other considerations might also contribute to the "Pivot", such as domestic politics from the pressure of the upcoming presidential election in 2012 when it was announced and the strategic importance of Asia lifts it on the U.S. policy priority list.

contain China⁷. Not long after President Obama announced his “Pivot to Asia” in late 2011, during his early 2012 visit to the U.S., then Chinese vice-president Xi Jinping proposed the concept of a new type of great power relationship. It was unlikely a coincidence, but a subtle response to the Pivot. It soon became a catchphrase among Chinese top leaders when discussing bilateral relations with the U.S. and also received some positive reactions from Washington⁸. Considering Xi’s office will last for a decade, the concept of a new type of major power relationship will continue to dominate the discourse in Beijing’s policy circles. The basic idea is to abandon the old fashion of great power relation, which emphasizes inevitable great power rivalry, and conflict between the hegemon and the rising power. The new concept stresses mutual respect, cooperation and the possibility of a win-win outcome, reflecting a liberal ideal of international relations. According to Xi, such a relationship would be characterized by “mutual understanding and strategic trust,” “respecting each other’s ‘core interests’,” “mutually beneficial cooperation,” and “enhancing cooperation and coordination in international affairs and on global issues.”⁹

For other regional states, the U.S. pivot has implications for their China policy. In general, more U.S. involvement is welcomed, but not at the cost of their relationship with China.

⁷ Michael D Swaine. "Chinese Leadership and Elite Responses to the Us Pacific Pivot." *China Leadership Monitor* 38 (2012): 1-26.

⁸ David M Lampton. "A New Type of Major-Power Relationship: Seeking a Durable Foundation for US-China Ties." *Asia Policy* 16 (2013): 51-68.

⁹ *U.S.-China Relations toward a New Model of Major Power Relationship*, ed. by Rudy deLeon and Yang Jiemian. Center for American Progress. 2014.

Japan will increasingly rely on the alliance with the U.S. as China's power increases. Thus, for its best interest, China should follow the approach of the New Thinking, even though Chinese public opinion is negative¹⁰. In the very long run, if China can reclaim its traditional dominant status in the region, the threat from Japan's internal balancing can be largely ignored.

For ASEAN states the best position is to hedge between the great powers. The pivot to Asia has been matched by China's continuing emphasis on its good neighbor policy. The new leader, Xi Jinping, calls for building a community of common destiny, as well as China's comprehensive involvement in ASEAN. The two sides have set up a new ambitious plan for the next decade¹¹. In Prime Minister Li Keqiang's words, it will be a "diamond decade"¹². As a result, the current policy of underbalancing China in ASEAN states is unlikely to change¹³.

To best assure its neighbors in the region and encourage a continuation of ASEAN states' policy of underbalancing, China should adhere to its policy of the past decades (before 2010, when China's aggressiveness became a worldwide concern). Moreover, China should even publicly welcome the U.S. Pivot to Asia. As a status quo power, the U.S. posture is defensive in nature despite some hawkish outliers. What the

¹⁰ Signs has been observed by sensitive scholars in Sino-Japan relationship, such as, Zachary Keck, "China and Japan Seek Detente? All signs suggest that China and Japan are quietly trying to improve ties." *The Diplomat*. April 16, 2014, accessed April 17, 2014. <http://thediplomat.com/2014/04/china-and-japan-seek-detente/>. Also, M. Taylor Fravel AND Alastair Johnston, "Chinese signaling in the East China Sea?", *The Washington Post*, April 12, 2014.

¹¹ "China, ASEAN aim to boost trade to \$1t by 2020", Xinhua News Agency, October 10, 2010, accessed April 1 2014. http://www.chinadaily.com.cn/business/2013-10/10/content_17020082.htm

¹² Ding Qingfen and He Wei, "'Diamond decade' ahead for China, ASEAN", *China Daily*, Sep 4, 2013.

¹³ Even though the frequent disputes between China and some ASEAN countries seem alarming, they are unlikely to build a momentum to unite ASEAN to counter China.

U.S. seeks is stability in the region, which China would have little reason to want to frustrate. Thus, the Pivot poses little danger to China's core interest and actually can help to best assure the entire region.

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