The Balance of Power and State Policies

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Explaining East Asian Regional Politics, 1992-2012

By

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CHAPTER 1

INTRODUCTION

By the standard of the rhythms of events in the late 2010s, the period between 1992 and 2012 almost read like ancient history. If only judging by the Western mainstream media's coverage of East Asian regional politics, people might reasonably view this period as a distant past obliterated by an increasingly assertive China. However, the regional dynamic might not have changed as dramatically as some would like to believe. As a region with a long history of mutual interactions, the possibility of continuity always trumps that of abrupt disruptions, especially given that only a relatively short time has passed since then. Increasingly we have witnessed the divergence between Western mainstream media fanfares and realities in the region. Perhaps nothing is more apparent than the often-celebrated in the West claimed pushback against China by regional powers like Malaysia and the embarrassing later reversal.[1] It points not only to media bias but also to the inadequacy of Western theories in understanding regional dynamics. Distance in time sometimes may bring clarity, and by looking back to the start of regional dynamics after the end of the Cold War, we may be able to identify the true color of regional politics with the aid of hindsight and the increase in available materials.

After World War II and during the period between 1992 and 2012, East Asia witnessed several economic miracles, the latest one of which featured 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 was significant about this moment was that after a century-long effort, China eventually resumed its status as East Asia's largest economic power. If GDP was compared in terms of

[1] Richard Javad Heydarian, "Malaysia's Bold Play against China," *Washington Post*, November 14, 2018, https://www.washingtonpost.com/news/theworldpost/wp/2018/11/14/malaysia/; Shankaran Nambiar, "Mahathir's Tilt to China Smooths the Way for Beijing in Southeast Asia," *Interpreter*, June 7, 2019, https://www.lowyinstitute.org/the-interpreter/mahathir-s-tilt-china-smooths-way-beijing-southeast-asia.

purchasing power parity, China became second in the world even earlier, as early as 2001.[2] A number of economists at that time further predicted that the United States would fall behind China in terms of GDP measured by purchasing power parity as early as 2016,[3] which actually happened in 2013.[4] The impressive economic development helped provide necessary resources for military modernization. Following closely the pace of economic growth,[5] military spending, according to the Stockholm International Peace Research Institute (SIPRI), was second only to the United States. In combination with China's vast territory, population, and natural resources,[6] China has reemerged as the juggernaut of East Asia.

However, in inter-state relations and security, East Asia defied the pessimist predictions that emerged after the end of the Cold War. Regional security had improved, and China's rise had not met with rising tensions out of balance with power politics. Experienced regional observers sense the inadequacy of the dominant approach of international relations in mainstream political science literature in explaining regional dynamics, that is, realism and the balance of power, which is also the default lens of Western politicians and mainstream Western policy think tanks, especially in the United States. The rebalancing of Asia, the Indo-Pacific strategy, and the call for a new Cold War all explicitly or implicitly signal recognition for the balance of power framework.

Given the geographical distance between Western capitals and East Asia, it is perhaps unsurprising that only the structural factors are now being noticed, and nuances have usually been sacrificed. While Western observers rightly notice the grievances of regional states toward China, they fail to realize that China's general approach to the region has created

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[2] The World Bank, *World Development Indicators 2011*(Washington, DC: World Bank, 2011).

[3] International Monetary Fund, *World Economic 2011 Outlook* (Washington, DC: International Monetary Fund, 2011).

[4] International Monetary Fund, *World Economic Outlook (October 2019)*, accessed Nov 8, 2019, https://www.imf.org/external/datamapper/PPPSH@WEO/CHN/USA.

[5] 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.

[6] 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 what an average person has, but how much the country has.

structures and incentives that prevent a pessimistic regional dynamic materializing, especially during the period covered by this book. This book tries to answer the question of why the dominant balance of power framework fails in East Asia, and why US policy based on such assumptions failed and will fail again. While China's policy tools were more effective in some areas and towards some countries, questions remain about why there are variances across the region.

1.1 Balance of Power or Threat

The 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 has not discussed or used the concept of balance. However, like many other key concepts in the 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 the balance of power is the equilibrium of power between states. Moreover, balancing against another state is in the long-term interest of a state,[7] since it prepares 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, of 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 balance.[8] These categories capture some of the phenomena that are outside the traditional understanding of balance. However, this expansion of the concept of balance also brings confusion for theory building. If even 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

[7] Randall Schweller, *Unanswered Threats: Political Constraints on the Balance of Power* (Princeton, NJ: Princeton University Press, 2006).
[8] T. V. Paul, "Soft Balancing in the Age of US Primacy," *International Security* 30 (Summer 2005): 46–71.

balancing, either by military build-up 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 policy.[9] 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 War,[10] namely, that the United States would soon meet its balancers. The same logic was applied to East Asia, which Friedberg[11] 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 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, Stephen Walt's balance of threat theory, one can still find ample reasons for China's neighboring countries to balance against it. In the balance of threat theory, instead of relying solely on material power, there are four factors jointly determining balancing behavior: that is, aggregate strength, aggressive capacity, intention, and geographical proximity.[12] Whether China would invite balancing behavior should be examined in light of these four criteria.

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[9] Colin Elman. "Horses for Courses: Why nor Neorealist Theories of Foreign Policy?," *Security Studies* 6 (Autumn 1996): 7–53.

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

[11] Aaron L. Friedberg, "Ripe for Rivalry: Prospects for Peace in a Multipolar Asia," *International Security* 18 (Winter 1993–94): 5–33.

[12] Stephen M. Walt, "Alliance Formation and the Balance of World Power," *International Security* 9 (Spring 1985): 3–43.

In terms of aggregate strength, China clearly dominates the region. It has the largest population of any country, a vast land area 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 power.[13] Geographical proximity is also relevant and straightforward.[14]

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. 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 conflict.[15] Thus, 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 plus consecutive years, then states as rational actors[16] must be expected to treat China's aggressive capacity seriously.

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[13] China's foreign minister bluntly called ASEAN states "small countries," and said that "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," *Economist*, April 7, 2012, http://www.economist.com/node/21552193.

[14] Of course, states differ in their distance from 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 (July–September 2006): 355–95.

[15] Schweller, *Unanswered Threat*.

[16] 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 Waltz, "Realist Thought and Neorealist Theory," *Journal of International Affairs* 1 (Spring/Summer 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 (December 1997): 923–26; Jeffrey Legro and Andrew Moravcsik, "Is Anybody Still a Realist?," *International Security* 24 (Fall 1999): 5–55; Peter Feaver et al. "Brother, Can You Spare a Paradigm? (or Was Anybody Ever a Realist?)," *International Security* 25 (Summer 2000): 165–93; Randall Schweller, "The Progressiveness of Neoclassical Realism," in *Progress in International Relations Theory: Appraising the Field*, ed. Kenneth Waltz, Colin Elman, and Miriam Elman (Cambridge, MA:

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 several more aircraft carriers are planned for deployment in the next decade.[17] Some decades ago, China, despite possessing 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 intentions were under scrutiny. Needless to say, since the mid-1990s the Chinese version of a "Good Neighbor Policy" has earned it some credit and a better image. As Shambaugh[18] suggests, China is engaging East Asia. Thus, East Asia 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"?[19] Meanwhile, China's domestic politics is far from transparent, which renders its intentions obscure. Also, there are reasons to worry about its potential for aggressiveness. For example, Chinese nationalism might prompt China to act aggressively against its neighbors, as illustrated by its tensions with countries over territorial disputes,[20] especially over the Diaoyu/Senkaku Islands with Japan and the South China Sea islands with Vietnam and the Philippines. Therefore, China's intentions are murky. Given the low mutual trust in the region, a rational state should engage in balancing behavior.

MIT Press, 2003): 311–47; John Mearsheimer, "Reckless States and Realism," *International Relations* 23 (June 2009): 241–56.

[17] 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, http://edition.cnn.com/2012/11/25/world/asia/china-aircraft-carrier-landing.

[18] David Shambaugh, "China Engages Asia: Reshaping the Regional Order," *International Security* 29 (Winter 2004/2005): 64–99.

[19] Gang Lin, "China's 'Good Neighbor' Diplomacy: A Wolf in Sheep's Clothing?," *Asia Program Special Report* 126, assessed September 18, 2020, https://www.wilsoncenter.org/publication/chinas-good-neighbor-diplomacy-wolf-sheeps-clothing#:~:text=China's%20%22Good%20Neighbor%22%20Diplomacy%3A%20A%20Wolf%20in%20Sheep's%20Clothing%3F,-Asia%20Program&text=While%20the%20three%20essayists%20agree,Japan%2C%20India%2C%20and%20Taiwan.

[20] Thomas Christensen, "Advantages of an Assertive China-Responding to Beijing's Abrasive Diplomacy," *Foreign Affairs* 90 (March/April 2011): 54.

1.2 Is it Underbalancing?

As discussed above, by *balancing*, I mean to describe efforts to maintain a certain power equilibrium[21] between states. Deriving from this term, *underbalancing*, a concept coined by Randall Schweller,[22] refers to an 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, there are few signs of balancing against China,[23] 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 has significantly expanded (figures 1.1 and 1.2). The military spending of China is greater than all other countries in the region combined. The attitude of regional states toward the United States is not consistent and resists US pressure to take a more hardline attitude toward China, which has become more apparent under Trump.

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

[22] Schweller defines *underbalancing* as "threatened countries [that] 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.

[23] 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 (September 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 (June 2012): 53–78.

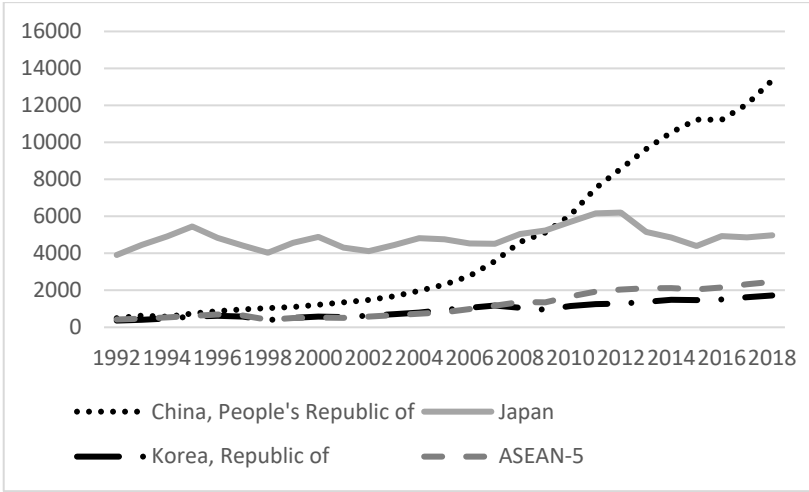

Figure 1.1. GDP of major East Asia countries (source: IMF, current price, millions of US dollars).[24]

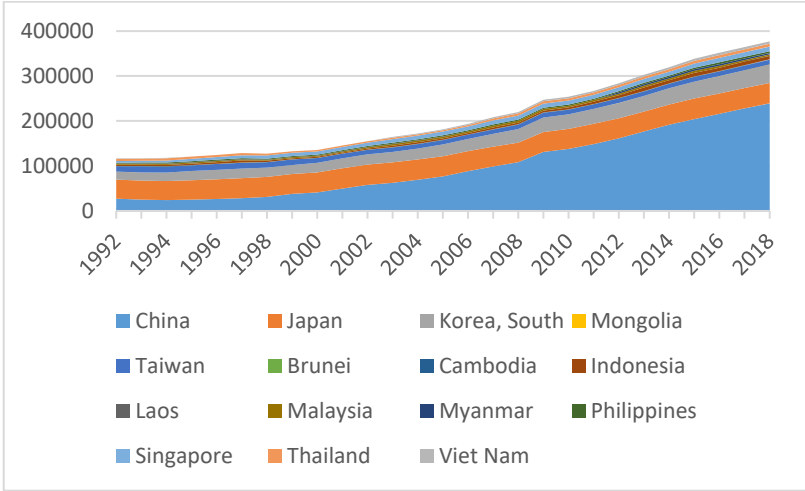

Figure 1.2. Military spending of major East Asian countries (source: SIPRI, constant 2017 US dollar price, US million dollars).

[24] The IMF's group ASEAN-5 includes Indonesia, Malaysia, the Philippines, Vietnam, and Thailand.

This might not be convincing, however, since it is possible that these countries have in fact made efforts to balance against China, but that such efforts have been insufficient. In that case, what should follow here is an evaluation of their efforts in this regard. Neither internal nor external balancing can be said to exist unambiguously. There is no arms race,[25] as argued by Bitzenger.[26] States are building up their military power, but it is not an arm race but an arms dynamic, since weapon acquisitions are not mutually targeted.[27] Additionally, there is no Asian version of NATO against China, though there might be potential for that. For example, the US bilateral alliance system in Asia could be the basis for a regional balancing alliance system illustrated by the effort of QUAD, 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 accommodating, soft balancing, hedging,[28] or engaging rather than balancing China.[29]

To summarizing using 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 have been increasing bilateral military relations between the United States and China's neighbors, including Australia, Japan, Vietnam, the Philippines, and so on. However, enhancing bilateral military relations can hardly qualify as a military alliance against China.

If so, why was 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

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[25] Nevertheless, there may be some competitive arming, especially in the 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 (April 2010): 50–69.

[26] Ibid.

[27] There might be other explanations for arms 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 *The Culture of National Security*, ed. Peter Katzenstein (New York: Columbia University Press, 1996): 79–113.

[28] Maintaining a low intensity of balancing and cooperation at the same time is called hedging.

[29] It could be called *soft balancing*, too. However, soft balancing could be considered as underbalancing by definition.

countries, for example, being much tougher toward Japan than the 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. Thus, we must search for other additional factors. Can realism account for all these questions? Further, can mechanisms for preventing balancing behavior persist into the future? In other words, will one see balance against China in the region soon?

Answering the questions asked above not only 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 book, but also has important policy implications for both China and the West. What worked for China in the recent past could still work for it in the future if it can choose statecraft wisely, and the West, especially the United States, should carefully avoid assuming too much in building an anti-China coalition in the region.

1.3 What is ahead?

In the next chapter, after reviewing the relevant literature on the topic, I will provide a theory with several hypotheses about how a state like China would behave in such a structural environment. These hypotheses will be illustrated in the following chapters through the example of China and its East Asian neighbors between 1992 and 2012.

Chapter 3 will focus on China's strategy and policy tools for anti-balancing. After the end of the Cold War, changes to 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 periods, 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 Chinese leaders from then on of the importance of strategies. Due to the dominance of modern realism theory in China,[30] Beijing was keenly aware of the threat of other powers in the region balancing against it. Thus, in the 1990s came the turn in its regional policy that led to the introduction of the good neighbor policy.

China's efforts ranged from the cultural and the diplomatic to the economic and militaristic. Through cultural, educational, and human

[30] David Shambaugh, "Coping with a Conflicted China," *Washington Quarterly* 34 (Winter 2011): 7–27.

interaction, China tried to project an image of a peaceful, civilized, and modern state with a long history. It culminated in the promotion of the idea of a peaceful rise, and later the peaceful development and rapid spread of Confucius Institutes in the first decade of this century.

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

China's engagement in multilateral organizations provided a forum to publicize its ideas and created opportunities for meetings with foreign leaders and senior officials. In particular, it provided 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 met each other more often in a third country than in each other's territory. In addition, East Asian states actually preferred informal discussions during meetings over a formal process to deal with disputes.[31] More meetings can mean a greater chance of resolving disputes. China actively participated in such meetings, especially those held by the ASEAN, and often brought gifts to show its sincerity.

China's rising economy in the past decades provided it with the most powerful tool available: building strong economic connections with neighboring states was not only economically necessary but also politically beneficial. Beijing expected that those groups that stood to benefit from China's expanding economy would prod their own government when necessary. More importantly, the close economic connection and the sheer potential of the Chinese economy altered the calculation of interest for neighboring states, as the Chinese market was increasingly the key factor to prosperity.

Military cooperation helped to alleviate concerns over China's increasing military power. The idea of greater transparency in military affairs was gradually accepted by Beijing's top decision makers, as showcased in their defense white papers and invitations for foreign military officers to visit Chinese military facilities. China also increased its participation in bilateral or multilateral military exercises. Promoting the idea of a new security concept, China engaged ASEAN countries in greater

[31] 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 (July/August 2010): 808–33.

military cooperation.

China's multi-layered efforts to undermine the incentive for regional states to balance against it demonstrate the agency of states in balance-of-power politics. States do not wait to be balanced according to the dictates of the international structure. Rather they devise policies and mobilize resources to counter the trends of the system. There were certainly constraints and limits on each of the tools China could deploy, including elite and popular beliefs, nationalism, economic development and future, and so on. Thus, each chapter will address them accordingly.

The following two chapters will focus on how China interacts with Japan and the ASEAN from the perspective laid out in the earlier chapters. The interaction between China and Japan, and China and the ASEAN between 1992 and 2012, constitutes a good comparison and test of the theory, since 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 provide sufficient variance in independent and dependent variables.

For the first time in history, China and Japan—arguably, the region's two great powers—became a pair of peer players during the period 1992 to 2012; the two "tigers" had to live on the same mountain. Given that China had surpassed Japan, and the historical rivalry, Japan should have balanced against China. The power of Japan permitted it to do so both internally and externally. However, Japan did not balance China in the traditional sense. Rather, Tokyo's policy was 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, led to Tokyo's policy choice.

To counter Japan's potential to externally balance China, Beijing implemented a friendly approach to elicit positive reactions from Japan. China's approach was similar to the thoughts and proposals of the New Thinking School, and it comprised cultural, diplomatic, economic, and military components. The long historical interaction between the two countries provided rich resources for China to promote cultural interaction. There was no lack of love for Chinese culture in Japan. The Chinese government therefore consistently promoted better images of China in Japan, even though the short-term effect might be limited and incapable of reversing the trend of an overall decline in Chinese popularity in Japan.

Chinese leaders also tried to reach out to their Japanese counterparts over the past decades. State visits were regular[32] 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 were important for the long-term stability of the relationship, especially in times of crisis, during which well-connected persons can play the role of intermediaries.

In military affairs, China also tried to increase transparency and bilateral interactions, even though such efforts were modest and often hindered by the strong nationalist sentiment of Chinese military.

As a counterpoint to the New Thinking School, many feared 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 was constantly used to delegitimize any of Japan's moves toward military development. In addition, the Chinese military also flexed its muscles against Japan when they deemed it necessary, especially in the East China Sea. They believed it was necessary to be assertive whenever Japan tried to veer away from the post-World War II system.

The opposing nature of the effort to deal with the potential of internal and external balancing weakened China's capacity to undermine Japan's balancing against China. Moreover, Japan's domestic changes since the late 1980s and early 1990s also contributed to the dilution of the Chinese effort. The decline of the bureaucracy, especially the MOFA, and the business community's influence on policy, weakened China's influence in Japan. In addition, with Japan's older generation retiring, China was losing favorable Japanese politicians. China worried that Prime Minister Fukuda might be the last Japanese PM who was positive toward China.

To sum up, the contradictory nature of China's two schools of policy, combined with Japan's domestic changes, undermined China's effort to reduce balancing behavior from Japan in the two decades after the end of the Cold War.

In contrast to Japan, ASEAN states were relatively much weaker than China in almost all aspects of power. For them, the only option for balancing was to externally balance against China by unifying their powers and/or to ally with external powers, the United States in particular. It was thus somewhat simpler for Chinese leaders to handle these potential external

[32] Koizumi and the Second Abe administration are the two exceptions, but even Koizumi completed a state visit to China in 2001.

balancers. China was trying every means possible to court these countries. By establishing close relations and offering tangible benefits, these countries found that their best position would be to stay in-between the great powers, which they tried hard to enmesh in the region. By entangling great powers in the region, they gained policy space for manipulation. China clearly understood such policy preferences, and thus cast itself as an exploitable source for ASEAN national interest.

Culturally, China influenced the 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 displayed its respect for these small countries. In particular, China established close relations with particular countries inside the ASEAN, so that no unified stance could be achieved against China. In the often-heated disputes in the South China Sea, China also carefully avoided antagonizing two or more countries simultaneously.[33] It tried to calm others if it had open disputes with one, exemplified by its dealing with Vietnam and the Philippines. Multilaterally, China also actively participated in regional institutions steered by the ASEAN. It prevented such institutions from being used against China, and it also satisfied the ASEAN's need to engage great powers.

Economically, China's policy reaction to the Financial Crisis of 1997 marked a significant change in the ASEAN's attitude to China. China did not take advantage of ASEAN states' economic turmoil. The initiative to build an FTA with the ASEAN and the Early Harvest program also strengthened China and the ASEAN's trade relationship. China became the biggest trading partner for ASEAN states in 2009. In addition, Beijing was 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 also convinced some ASEAN states that its overall rise was inevitable, which gave China even more influence in shaping both attitudes and policy.

Military interaction was enhanced by military exercises and personnel training in the name of cooperation with non-traditional security issues. China tried to replace the old power politics with the new security concept, which would render the balance of power unnecessary. Moreover, China also promoted arms sales in the region and provided free military training programs for some ASEAN states. The use of military force in

[33] Recent events with Vietnam and Philippines signal a possible diversion from such policy. However, China's later removal of the oil rig before its original planned date of removal might indicate a return to such a policy position.

dealing with South China Sea disputes was carefully restrained.[34]

In summary, China was able to establish itself as a necessary partner for the ASEAN. Thus, the ASEAN had no incentive to balance against China as long as all major powers were willing to be enmeshed in the regional network woven by the ASEAN.

In the final chapter, I will look beyond 2012 and review more recent developments in regional dynamics. Against the background of the relationship between China and the United States, especially the rise of great power competition, I will discuss the future of East Asian relations.

Finally, I would like to add a few words on the sources and time frame of the book. Drawing on 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, newspaper columns by policy makers), data from international organizations like the World Bank and 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 US diplomatic cables obtained and released by WikiLeaks in 2010 and 2011.[35] These cables recorded communications between US 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. And as mentioned, these cables are why this author chose the particular time frame for this research, as they can provide insider accounts that are less available for research on recent history. By examining all these sources, 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.

The time frame of this book was largely determined by the availability of certain materials, especially the US diplomatic cables leaked

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[34] It is sometimes controversial, as when China insists it did not use military force but other countries, like Vietnam, keep accusing China of military involvement.

[35] I selected 850 cables for the research of this book from WikiLeaks digital archives after keyword searches and screening titles. I have downloaded the whole data file. When citing the US diplomatic cables, I will only provide the cable ID followed by the paragraph number separated by a colon if a specific paragraph is referred to. For example, "04TAIPEI3742: 8" means paragraph 8 of the cable with the ID 04TAIPEI3742.

by WikiLeaks, which provide more authentic intra-government deliberations. In addition, this particular period also predated the current era of a more assertive China posture in international politics launched by President Xi since his 2013 inauguration. If the policy of Xi's era is truly that disruptive, then the era before them might be a better period to research, as it is settled and finished rather than unfolding now. And when Xi's era comes to end, a comparison between the era before and after him might construct an even stronger case for the theses proposed in this book. However, considering the constraints on the information available and the possibility of more objective research into current events, it might be better to focus on the era between 1992 and 2012. A tentative comparison and assessment of whether Xi's policy has changed regional dynamics is to be found in the last chapter. Unless specifically mentioned, the middle part of the book, from chapter 2 to 5, covers only the period between 1992 and 2012.

CHAPTER 2

THEORY AND HYPOTHESES

In the post-Cold War era, China has gained strength rapidly in almost all measures of power. However, it has not yet elicited balancing behavior in the region. There has been neither an arms build-up nor a security alliance against China. There might be potentials for 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 from the realists' balance of power theory. This theory argues that states will balance against power measured by material factors: thus, 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, aggregate strength, aggressive capacity, intention, and geographical proximity,[36] China still qualifies as a target to be balanced against. Thus, my question is why do China's relatively weaker neighbors underbalance it, to use 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 can 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?

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.

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[36] Stephen Walt, "Alliance Formation and the Balance of World Power," *International Security* 9 (Spring 1985): 3–43.

The most radical explanation comes from David Kang,[37] 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; rather, historically, a strong China has meant regional stability. Chaos came when China's power was at its lowest. For this reason, peripheral states are willing to bandwagon with China and accept its dominant status as given.[38] 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 Acharya,[39] who argues that the future of Asia will not be the same as its past. Acharya first points out that India at least is balancing against China and that the idea of bandwagoning with China is questionable in the sense that no existing concept of bandwagoning can apply to East Asian politics. Worry over China's rise does exist in China's neighboring countries. He 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. Historically, 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 the lack of explicit balancing and low rivalry is not culture, but "shared regional norms, rising economic interdependence and growing international linkages."[40]

The strategic thinking of the state is another point of departure for theory. Referring to the strategic thinking of the small powers of the

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

[38] Kang later updated his argument by admitting that China's East Asian 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 that no other country will try to compete for leadership status; thus, it is preferable. This is not convincing at all, as the United States provide an alternative for preventing competition for regional leadership. A rising China, contrary to Kang's claim, will actually bring back destabilizing regional competition.

[39] Amitav Acharya, "Will Asia's Past Be Its Future?," *International Security* 28 (Winter 2003/2004): 149–64.

[40] Acharya, "Will Asia's Past Be Its Future?," 150.

ASEAN, Evelyn Goh[41] 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 United States 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 type of regional order. These are also the two pathways to order argued by Goh: onmi-enmeshment and regional complex balance.

Omni-enmeshment of major powers, as 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 integration."[42] 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 United States, but also Japan, India, South Korea, and so on. Providing all the major powers with 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 Asian states is not the same as the balance commonly used by realism. In this case, small powers do not flock to the weaker side (or the opposite side of the source of the biggest threat) to balance against the major power: the United States or China. Furthermore, they do not militaristically 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 United States and against China. They also manipulate triangle politics to use bilateral relations with one major power as leverage to improve relations with another.

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:

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

[42] Ibid., 120–21.

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 through norms and regional interaction. Normalization brings a balance of influence into day-to-day diplomatic practices. Through these, ASEAN states pursue a hierarchical order with the United States and China on top in the region, similar to what is argued by Kang.

Another author, Kai He,[43] 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 institutions."[44] Essentially, the institutional balancing is one kind of soft balancing—underbalancing.

Rejecting the neoliberal institutionalist and constructivist explanations, Robert Ross[45] provides a modified version of realism. He saves realism by putting all other East 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 United States 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 to China's status as a rising power by its neighboring states are uneven, because China's capacity to project power is limited. The uneven distribution of this power in the immediate vicinity determines the variations in peripheral states' reactions to China.[46] Where China's power has risen relative to the United States, the more accommodating the other states are. Otherwise, the states enhance their relationship with the United States, more playing the external balancing game. These include South Korea and Taiwan, where China gains power

[43] Kai He, "Institutional Balancing and International Relations Theory: Economic Interdependence and Balance of Power Strategies in Southeast Asia," *European Journal of International Relations* 14 (September 2008): 489–518.
[44] Ibid., 511.
[45] Robert Ross, "Balance of Power Politics and the Rise of China: Accommodation and Balancing in East Asia," *Security Studies* 15 (July–September 2006): 355–95.
[46] Ibid., 364.