

The Kippenberger Lecture 2014

**Constraints on Conflict
in the Asia Pacific:
Balancing 'the War Ledger'**

Rosemary Foot

Discussion Paper

**Centre for Strategic Studies: New Zealand
Victoria University of Wellington**

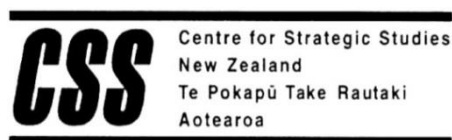
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Foreword

The anniversary of the centenary of the beginning of the First World War in 2014 was always going to bring a rash of commemorative events, histories and analyses of its causes and progress from all corners of the globe. That was easily predictable. Less predictable until relatively recently was the thought that conditions in the Asia-Pacific region would be such that parallels would be drawn between the situation in 1914 in Europe and that of 2014 in the Asia-Pacific. But recent events: a rising China; increased nationalist sentiments in a number of East Asian states; tensions over territorial claims in the South and East China seas; and a 'renewed' focus by the United States on the region potentially coming into conflict with China have led to a body of scholarly literature making an explicit connection between the causes of the First World War and events in this region, and arguing that war between the major powers is possible.

Such claims cannot be dismissed out of hand. So long as states exist as sovereign actors with interests that are not necessarily in consonance with the interests of neighbouring states the possibility exists that armed force will be used to achieve political ends. The scholarly literature of interstate conflict acknowledges this and indeed in many cases notes that conflict rather than peace between states is the norm for international relationships. But just because a logical possibility of conflict exists (and even the possibility has to be examined critically), there is no necessary reason that conflict within the region would spread to become a regional or even global conflict.

In this paper Rosemary Foot, Professor of International Relations and the John Swire Senior Research Fellow of St Anthony's College Oxford, the 2014 Sir Howard Kippenberger Visiting Chair in Strategic Studies at Victoria University of Wellington, has examined the issues surrounding the possibility of regional conflict and concluded that on balance the region is more inclined to resolve its disputes peacefully rather than through recourse to armed conflict. This does not mean that armed conflict is impossible. It does mean that it is less likely than many would have it. This analysis is a useful corrective to some of the rhetoric surrounding regional affairs. Professor Foot has given us a comprehensive and balanced analysis of the dynamics of the Asia-Pacific region and in doing that has admirably fulfilled the purpose of her role as Kippenberger Chair.

Dr Jim Rolfe

Director

Centre for Strategic Studies: New Zealand

About the author

Professor Rosemary Foot



Rosemary Foot is Professor of International Relations and the Sir John Swire Senior Research Fellow in the International Relations of East Asia, St Antony's College, University of Oxford. Foot has a Masters degree from the London School of Oriental and African Studies, and a PhD from the London School of Economics and Political Science. Since 1996, she has been an elected Fellow of the British Academy.

Author of several books, these include two on US policy during the Korean War published as part of the series "Cornell Studies in Security Affairs"; *The Practice of Power*, on US-China relations published in 1995 with Oxford University Press (OUP); *Rights Beyond Borders: the global community and the struggle over human rights in China* (OUP, 2000); and with Andrew Walter as co-author, *China, the United States, and Global Order*, (Cambridge University Press, 2011). Her latest co-edited book, with Soddia M Pekkanen and John Ravenhall, is *The Oxford Handbook of the International Relations of Asia* (OUP, 2014). In 2013, she published an edited book entitled *China Across the Divide: the domestic and global in politics and society* (OUP, 2013). Her research interests cover the international relations of the Asia-Pacific, including security questions, US-China relations, human rights, and Asian regional institutions.

About the Chair

Established in 2006, the Sir Howard Kippenberger Visiting Chair honours Major General Sir Howard Kippenberger, KBE, CB, DSO, ED, one of New Zealand's most distinguished and courageous soldiers, who was also an eminent scholar and strategist. He served as President of the New Zealand Returned and Services' Association and oversaw the production of 23 volumes of New Zealand official war histories. The Chair was established with funding from the Garfield Weston Foundation in Britain, the New Zealand Defence Force and the Royal New Zealand Returned and Services' Association (Incorporated) through the Victoria University Foundation and is coordinated by the Centre for Strategic Studies: New Zealand.

Constraints on Conflict in the Asia Pacific: Balancing 'the War Ledger'

Sir Howard Kippenberger Visiting Chair in Strategic Studies
Sixth Public Lecture

27 March 2014*

Rosemary Foot

* I would like to thank the Centre for Strategic Studies at Victoria University of Wellington for generously inviting me to become the Sixth Visiting Sir Howard Kippenberger Professor of Strategic Studies. My especial thanks go to Dr Jim Rolfe, the Director of the Centre, and Professor Robert Ayson for comments on an earlier version of this paper and for their helpful support during the entire period of my stay. I would also like to thank the administrative officer, Sue Rogers, for her assistance with all the arrangements that made this visit so enjoyable and productive.

Introduction

It is 2014 and there is much talk of 1914 in the air. However, this time it is not in reference to Europe but to the Asia-Pacific. Anniversaries encourage us to engage in analogical reasoning, to revisit arguments about systemic change, and to ask whether decision-makers are capable of engaging in historical learning or whether we should focus on cyclical trends in state-to-state relations. Consequently, there is regular reference in scholarly writing, in the media, and even in political leadership statements to Anglo-German rivalry on the eve of war in 1914. Questions are being asked as to whether the Asia-Pacific is on the verge of a 1914-like turning point—a devastating conflict either between China and Japan that draws in Japan’s treaty ally, the United States, or a direct conflict between the People’s Republic China (PRC) and America. Even skirmishes that may appear less consequential—currently the dispute over maritime sovereignty in the South China Sea—are causing grave concern because of the various ways in which conflict in this part of the Asia-Pacific region could lead to a military response by the United States or by China. On the one hand, this outcome could arise from US treaty commitments (as with the Philippines for example), or because of a US determination to protect the freedom of navigation. On the other hand, conflict could result because of a US failure to convince Beijing that any PRC use of force would generate a US military response.

This working paper discusses some of the arguments that suggest probable conflict as a result of China’s resurgence and the relative decline in US power. An initial section delves into the World War I analogy more deeply and then goes on to explore the linked argument that transitions in power between the United States and China heighten the prospects for war between the ‘declining hegemon’ and the ‘rising power.’ However, the major aim of the paper is to point to some of the constraints on conflict in the Asia-Pacific in the 21st Century. In part, I am responding to the call of Robert Jervis – an eminent scholar of strategy and war, as was Sir Howard Kippenberger himself.¹ Jervis wrote in 2011 about the current inhibitions against international war. While he acknowledged that these trends could be reversed, he nevertheless noted that ‘they truly are startling, are of great importance, and were largely unpredicted.’ He observed too that they were ‘insufficiently appreciated’ and went on, ‘one rarely reads statements about how fortunate we are to live in such a peaceful era. Perhaps the reasons are that optimism is generally derided in the cynical academic community.’² As a previous Kippenberger lecturer has noted, the incidence of major and minor inter-state wars

¹ Not only an eminent strategist, Sir Howard Kippenberger was also involved in World War I, volunteering for service at the age of 18. He took part in four attacks on the Somme during the autumn of 1916 and was repatriated after being seriously wounded. See <http://www.teara.govt.nz/en/1966/kippenberger-howard-karl>.

² Robert Jervis, ‘Force in our Times,’ *International Relations*, Vol. 25, no. 4, December 2011, pp. 410-11. Of course, with the Syrian conflict still raging, and Iraq in continuing turmoil, to name but two instances of gross violence, it is difficult to accept the era as peaceful even though we can accept that the incidence of war has declined overall.

has declined substantially in Asia, with a downward trend occurring even before the ending of the Cold War,³ placing in some doubt the power of structural variables to explain outcomes in world politics.

My levels of optimism are not unbounded, of course. Neither are those of Robert Jervis. However, I argue that the constraints on conflict are insufficiently appreciated in the current discussion of the changing security order in the Asia-Pacific. While matters of conventional and nuclear deterrence do receive some exposure, there are other factors that generate constraint and are worth exploring, including:

- evidence of historical learning at the decision-making level;
- state agency at the regional level designed to shape and subdue major power rivalries;
- new forms of economic interdependence that are tying the regional states and the regional and global levels together in complex ways; and
- the domestic political-economic priorities of the two main protagonists in this story of a changing Asia-Pacific security landscape.

While these factors certainly do not guarantee a peaceful Asia-Pacific over the next decade or so, they do impose forms of mutual and unilateral restraint. If these restraints turn out not to be enough to avert conflict, I argue this is not because of transitions in material power or because we have a well-matched series of causes and events that mirrors the eve of World War I, but more because of the difficulties of promoting clear and sustained strategic goals in a global order of great complexity and one that has seen a collapse of any well-defined boundaries between the domestic and global policy realms.

Inevitably, much of what I have to say about constraints on conflict in the Asia Pacific will turn on questions to do with the Chinese-American relationship in recognition that these two states are the most important to the future well-being and stability if not quite peace of Asia. In telegraphic form: with respect to the US, it is about the credibility of its commitments (the 'rebalance' or 'pivot to Asia,' and especially the credibility of its alliance commitments). However, it is also about its ability to provide economic as well as political and security goods. This requires it to remain attuned to the thoughts and perspectives of the Asia-Pacific states – and I include New Zealand in that – in order that it works with the grain of regional preferences and thereby gains in authority and power as a result.

With respect to China it is about its ability to reassure others and to deal appropriately with its neighbours' fears that it is using its economic strength to build a vastly more powerful

³ Muthiah Alagappa, 'A Changing Asia-Pacific: Prospects for War, Peace Cooperation and Order,' The Third Kippenberger Public Lecture, 2010, given in Wellington, New Zealand, CSS Discussion Paper No.09/11.

military and to enhance its political leverage. The fear some have is that a strong military, combined with Beijing's economic weight, may be used in such a way as to narrow the political choices of those with whom it is in a close embrace; and that it will try to construct a narrow vision of the region – in terms of values and geo-politically. The concern is that China is in search of material power and political domination rather than the wealth and well-being of its own citizens together with the well-being of the region's peoples.⁴

The 1914 Analogy

Margaret MacMillan, author of the much acclaimed *The War that Ended Peace*,⁵ has written in a 2014 article in *International Affairs*, that some of the forces and ideas that brought about that terrible conflict in 1914 are present today.⁶ The factors that she regards as most consequential in terms of causing that catastrophic war in 1914 include 'national rivalries, imperialism, the arms race, ... as well as ideologies and assumptions such as Social Darwinism and militarism.' She also points out that globalization and economic interdependence in the early 20th century did not generate peace but exacerbated a sense of difference and intensified rivalries. The spread of democracy, while beneficial overall, had its negative effects too in that public opinion began to matter to decision-makers, and not all of that opinion was 'on the side of calm and reason.' Moreover, there was an air of complacency in the build-up to hostilities, where there existed a strong belief that major conflict was highly unlikely because a series of past crises had been managed seemingly successfully. Instead, the effect of these crises was actually to reinforce tension and the sense of an accumulating attack on national honour. Finally, she points to a booming Germany in 1914 challenging a Britain that was in gentle decline.

MacMillan is right to be worried about some of the parallels between 1914 and 2014. Today in the Asia-Pacific, nationalist sentiment is high, with particularly troubling consequences in Japan, China, the Democratic People's Republic of Korea (DPRK), and the Republic of Korea (ROK). Nationalism operates strongly in a country like the Philippines too as well as in Vietnam; both countries that have figured prominently in growingly militarized spats with China over ownership of islands in the South China Sea. Leaving aside the exceptional relative size of the US military budget, Asia-Pacific states collectively spend more on their militaries than all other regions of the world. And we seemingly have a power transition in train if we concentrate on the macro-economic data deriving from China's rapid and impressive economic growth rates over several decades. China now has (or will soon have)

⁴ One recent publication that argues China has persistently sought a combination of wealth and power in order to overcome national humiliation is Orville Schell and John Delury, *Wealth and Power: China's Long March to the Twenty First Century* (New York: Random House, 2013).

⁵ Margaret MacMillan, *The War that Ended Peace: How Europe Abandoned Peace for the First World War* (London: Profile Books, 2013).

⁶ Margaret MacMillan, '1914 and 2014: should we be worried?' *International Affairs*, Vol. 90, No.1, January 2014, pp. 59-70.

the world's largest economy in purchasing power parity terms, the world's second largest military budget, and it became the leading exporter of goods in 2009. Over a similar period, we have witnessed the United States sustain major losses deriving from the 2007-8 global financial crisis, made worse by America's over-extension in long-running and costly wars in Afghanistan and Iraq, at the same time that it made the fiscally irresponsible decision to cut its tax rates.

Moreover, we can point to several incidents in the Asia-Pacific that have generated tension and even fear including the near collision between a US navy warship and a Chinese vessel in the South China Sea; the Chinese announcement of its Air Defence Identification Zone in Northeast Asia with no prior warning even though it overlapped with territories claimed by Taiwan, the ROK and Japan; aggressive patrolling in the South and East China Seas; and Prime Minister Abe's decision to visit the Yasukuni shrine in defiance of regional sentiment, and US exhortation. The rhetoric is feverish, the incidents pile-up and there is not enough in the way of communication channels to reverse the deterioration in relations across the region.

However, there are important differences between these two eras which MacMillan and others argue also need to be taken into account. As Ja Ian Chong and Todd H. Hall note, although there are important lessons to be learned from the outbreak of war in 1914, the differences between that era and ours are significant. First is the matter of geography: China does of course share its region with many major and consolidated states, but neither offers the 'same threat of invasion czarist Russia did to Imperial Germany.' Neither does the current tension add up to a matter of national survival for the United States or for China (and we might add not for Japan either).⁷ There is also the matter of nuclear weapons. While John J. Mearsheimer (see below) does not believe these necessarily will prevent the outbreak of major conflict between China and the United States, nevertheless decision-makers cannot entirely discount the effects of their presence and the dangers of escalatory moves from conventional war to nuclear war. Neither does the worldview of Social Darwinism have the power it at one time had to shape perceptions. Where once, as Chong and Hall put it, 'war played a special role...acting as a welcome test of the fittest,'⁸ now I would argue we do a lot to prevent the outbreak of war. While we still applaud individual acts of heroism, the idea of war as heroic, for many states and peoples, actually 'died ... in Flanders field.'⁹ The blood-letting, degradation, and exploitation associated with the industrialized nature of late 19th and 20th Century warfare, propelled forward the normative prohibition on uses of force, except in self-defence. This is reflected in the UN Charter, and in regional declarations such

⁷ Ja Ian Chong and Todd H. Hall, 'The Lessons of 1914 for East Asia Today? Missing the Trees for the Forest,' *International Security*, Vol. 39, No. 1 (Summer 2014), p. 14.

⁸ Chong and Hall, 'The Lessons of 1914,' p. 16.

⁹ Nicolas Rengger and Caroline Kennedy-Pipe, 'The State of War,' *International Affairs*, Vol. 84, No. 5, 2008, p. 898. Of course, this shift in attitude towards the use of force is not true for all armed groups that are perpetuating violence in today's world, as recent developments in Africa, the Middle East, and the Ukraine have shown all too clearly.

as ASEAN's Treaty of Amity and Cooperation, and the mutual non-aggression clause in the Five Principles of Peaceful Coexistence. Despite violations of UN Charter articles on the use of force, major legal judgements have concluded that these should be treated as breaches of the rules, and not as the basis for the establishment of new rules.¹⁰

Finally, there is the question of power transition and how that might be thought about as a parallel between these two eras. As noted earlier, MacMillan—alongside other scholars—reflects upon the shifting power balance between Britain and Germany and how that shift influenced the decisions for war. We are witnessing yet again a movement in power, this time between the United States and China, which may bear comparison with that earlier 20th century change. However, once again, this particular comparison needs to be subject to closer scrutiny, as I attempt in what follows.

Power Transition Theory

Those who have worked with various versions of power transition theory have found increased scholarly, policy, and media interest in their ideas. Shifts in relative power between the United States and China have led, inevitably perhaps, to a revival in interest in the argument that the probability of major war increases when a dissatisfied rising power begins to displace a declining hegemon from a position of pre-eminence that it had previously held. Notwithstanding criticisms of this argument based on the difficulties of measuring an actual transition in power, the presence at any one time of more than one major transition, the emphasis on gross material attributes rather than the social or wider dimensions of power, as well as the determination of who is a dissatisfied or status quo state in this or other dyads, discussion of the Sino-American relationship continues often to be conducted in material power distribution terms.¹¹

To explain the position more fully: Power Transition Theory (PTT) in its classical formulation argues that shifts in power, most likely caused by rapid economic growth in one party relative to another in a dyadic relationship, is likely to lead to war. The probability of major war is deemed to be greatest at the moment that the declining hegemon is about to be overtaken by a rising, dissatisfied power. Either the declining hegemon initiates a preventive war to avert being overtaken by the upstart, or the rising challenger initiates fighting in order

¹⁰ Rosemary Foot and Andrew Walter, *China, the United States and Global Order* (Cambridge: Cambridge University Press, 2011), pp. 32-3.

¹¹ For a particularly useful critique of power transition ideas, see Steve Chan, *China, the U.S., and the Power-Transition Theory* (London: Routledge, 2008). See also Jack S. Levy, 'Power Transition Theory and the Rise of China,' in Robert S. Ross and Zhu Feng (ed.), *China's Ascent: Power, Security, and the Future of International Politics* (Ithaca, NY: Cornell University Press, 2008).

that its new found status is reflected in the distributional benefits that the international system accords it.¹²

These basic insights are reflected in a number of more recent analyses focusing on changes in the distribution of power between China and the United States. Graham Allison has popularized the notion of the dangers of power transition beyond the academy by referring to what he describes as the 'Thucydides trap' – that is, the argument made by the Athenian historian and general, Thucydides, that the cause of the Peloponnesian War in the 5th Century BC was the rise of Athens and the fear it inspired in Sparta. Allison, among many others, has also made use of the 100th anniversary of World War I to argue that that particular conflagration was sparked by a dissatisfied Germany whose leaders chose to challenge a declining hegemon, Britain.¹³

Other scholarly analyses of this type have also received a great deal of attention in the contemporary discussion of the prospects for conflict in the Asia-Pacific and of Sino-American relations. Aaron L. Friedberg, John J. Mearsheimer and Hugh White, for example, have each produced extended treatments of the US-China relationship and have framed their arguments broadly in power transition terms.¹⁴ They have each argued that the intensity of the rivalry between these two states is likely to increase as China grows richer and stronger because, among other things, Beijing will work harder to eject the US presence from a region where America has long enjoyed preponderance. While Friedberg points out how China's authoritarian system sharpens the effects and heightens the stakes of the power transition, Mearsheimer from his offensive realist position de-emphasizes political regime-type (though he highlights the power of nationalism). Instead, he argues that states seek power and ultimately regional hegemony, and that 'if China continues to grow economically, it will

¹² A. F. K. Organski and Jacek Kugler, *The War Ledger* (Chicago: Chicago University Press, 1980); Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981).

¹³ For one example of Allison's discussion of the 'Thucydides Trap', see 'Obama and Xi Must Think Broadly to Avoid a Classic Trap', *New York Times*, 6 June 2013. Thucydides now makes a regular appearance in scholarly and non-scholarly writings. See, for example, James Steinberg and Michael E. O'Hanlon, *Strategic Reassurance and Resolve: US-China Relations in the 21st Century* (Princeton, NJ: Princeton University Press, 2014). Joseph S. Nye, Jr., not only queries this explanation of World War I, but also points to scholarship that shows that Thucydides was incorrect in his assertions: 'Athenian power was in fact not growing' and the Spartans feared a slave revolt more than the rise of Athenian power. See Nye's, 'Inevitability and War,' in Richard N. Rosecrance and Steven E. Miller (eds.), *The Next Great War? The Roots of World War I and the Risk of U.S.-China Conflict* (Cambridge, Mass.: MIT Press, 2015), p. 181.

¹⁴ Aaron L. Friedberg, *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia* (New York: Norton, 2011); John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: Norton, 1st ed. 2001, 2nd ed., 2014); Hugh White, *The China Choice: Why America Should Share Power* (Victoria, Australia: Black Inc, 2012). For an insightful review of the Aaron Friedberg and Hugh White books, see Yuen Foong Khong, 'Primacy or World Order? The United States and China's Rise—A Review Essay,' *International Security*, Vol. 38, No. 3 (Winter 2013/14), pp. 153-75. A further valuable review of White is Robert Ayson, 'Is Minimal Order Enough? Hugh White's Strategic Parsimony,' *Security Challenges*, Vol. 9, No. 1 (2013), pp. 17-26.

attempt to dominate Asia the way the United States dominates the Western Hemisphere.’¹⁵ Why would it want its own version of the ‘Monroe Doctrine’ as Mearsheimer describes it? His response to this rhetorical question is that domination is the ‘best way to survive under international anarchy’ and more parochially, domination will put Beijing into a position to settle its territorial disputes in its favour. White pays more attention to the growing dependence of Asia-Pacific states on an economic relationship with China, and the way that dependence will probably lead them to gravitate towards, or band-wagon with Beijing—a finding that can provoke a response in New Zealand. However, despite this welcome attention to the economic dimension, he too fears the outbreak of major war between the United States and China. Moreover, his argument predicts much the same process as Mearsheimer—both scholars agree that, in the absence of the US adoption of the policies they recommend, we are likely to see a region dominated by China and the decline of the US as economic and security partner of the regional states. Where they disagree is in the solutions advocated: Mearsheimer argues that containment of China is ‘America’s best strategy for preventing China from dominating Asia,’ whereas White suggests sharing power and the establishment of a concert of powers to manage regional order.

Of these three analyses (or four if we include Allison in the mix), it is Mearsheimer that, in part through the boldness of his message, together with the titles he chooses for his articles and other contributions, promotes particularly starkly the near-certainty of conflict. In outlets as varied as the Chinese newspaper *Global Times*, the journal *Current History*, and *The Chinese Journal of International Politics*, together with the new and extended treatment of his argument in the final chapter of the second edition of *The Tragedy of Great Power Politics*,¹⁶ Mearsheimer has stated that he is ‘quite certain that China cannot rise peacefully’ predicting that ‘there is a reasonable chance that the US and China will end up in a shooting war over the next 30 or 40 years.’¹⁷ As he has put it in 2014:

My argument in a nutshell is that if China continues to grow economically, it will attempt to dominate Asia the way the United States dominates the Western Hemisphere. The United States, however, will go to enormous lengths to prevent China from achieving regional hegemony. Most of Beijing’s neighbors, including India, Japan, Singapore, South Korea, Russia, and Vietnam, will join the United States to contain Chinese power. The result will be an intense security competition with considerable potential for war. In short, China’s rise is unlikely to be tranquil.

¹⁵ Friedberg, *A Contest*, p. 2; Mearsheimer, ‘Can China Rise Peacefully?’, *The National Interest*, 8 April 2014, p. 2, (the concluding chapter of the 2014 book) available at <http://nationalinterest.org/commentary/can-china-rise-peacefully-10204>.

¹⁶ Mearsheimer, ‘“Peaceful rise” will meet US containment,’ *Global Times*, 6 November 2013, at <http://www.globaltimes.cn/content/823045.shtml>; ‘China’s Unpeaceful Rise,’ *Current History*, No. 105, April 2006, pp. 160-62; ‘The Gathering Storm: China’s Challenge to US Power in Asia,’ *The Chinese Journal of International Politics*, Vol. 3, 2010, pp. 381-96.

¹⁷ Mearsheimer, ‘“Peaceful rise”.’

He goes on to argue that the prospect of a Sino-American war breaking out over the longer-term is 'more likely than a war between the superpowers was during the Cold War.'¹⁸

Mearsheimer bases this argument on his particular theory of international politics that he and we have come to refer to as 'offensive realism.' The approach, as is well known, is based on several assumptions: states are the main actors in international politics and they operate in an anarchical system with no central authority able to provide a guarantee of security. States should be viewed as rational actors, capable of designing strategies that bolster their security. Thus, great powers, for security reasons, will seek hegemony within their own region and seek to ensure that all other regions are not dominated by a rival great power. Every great power will seek to maximize power in order to protect its core goal which is survival which 'when push comes to shove...trumps all other goals.' In order to improve its chances for survival, the state will turn its economic strength into military capabilities. The acquired military capabilities will be difficult for others to interpret as either offensive or defensive, and anyway the intentions of states are always difficult to read. Thus it is prudent to assume the worst. Economic interdependence will not operate as a constraint on behaviour when survival is at stake because all other goals are subordinate to that overriding survival goal. Diplomacy is not much of a constraint either, because great powers will expect other great powers to behave in a similar self-regarding way and, thus, protestations of peaceful coexistence to the contrary, such words or treaty commitments cannot, indeed should not, be relied upon.¹⁹

Mearsheimer argues that the intense security competition between China and the United States is likely to tip into war because of mutual reputational concerns, and the zero-sum nature of each bilateral and regional crisis that will erupt in the years ahead (even if each individual dispute has a relatively low stake). The presence of nuclear weapons will not keep the lid on things either in part because of the low stakes involved in each crisis compared with the European theatre during the Cold War.

Much as with some of the elements of the World War I analogy, this particular version of the power transition argument is taken too far. Thus, it has been subjected to several critiques since it was first elaborated in Mearsheimer's 2001 edition of his book.²⁰ Jonathan Kirshner, from a classical realist perspective, has provided a powerful attack on both the logic of Mearsheimer's arguments as well as on the historical lessons to be derived from past cases of power transition.²¹ Kirshner, for example, argues that bidding for hegemony (rather than

¹⁸ Mearsheimer, 'Can China Rise Peacefully,' p. 2.

¹⁹ The direct quotation and these further assumptions are restated in Mearsheimer, 'Can China Rise Peacefully,' p. 3.

²⁰ See, for example, Glenn H. Snyder, 'Mearsheimer's World—Offensive Realism and the Struggle for Security: A Review Essay,' *International Security* Vol. 27, No. 1 (Summer 2002), pp.149-173.

²¹ See Kirshner, 'The Tragedy of Offensive Realism: Classical Realism and the Rise of China', *European Journal of International Relations*, online version 17 August, 2010.

having hegemony) is a dangerous occupation and historically has proven to be 'one of the few and rare paths to destruction for a great power' [emphasis in the original]. Kirshner further notes that apart from the United States, states that have bid for hegemony have not succeeded (Wilhelmine Germany and imperial Japan spring most readily to mind here). If they follow offensive realist logic, then we can assume that states like China, while operating on rationalist premises, have learnt nothing from history.²² In addition, as Chong and Hall note in their article, there is the matter of whether actual survival is really at stake when we contemplate Asia-Pacific tensions. The geo-strategic context is very different from that of 1914 because China (unlike pre-1914 Germany) does not have any states on its borders that could credibly invade its territory.²³ Kirshner concurs: given America's and China's 'military establishments, their nuclear deterrents, their economic might, their continental size, and their vast populations' is there really an existential threat to their survival? And in the absence of that threat, why would they rationally imperil it all by adopting an offensive realist strategy?²⁴ Surely, they are more likely to try to navigate their way through these dangerous waters, seeking to find a way to coexist, even occasionally to cooperate?

Kirshner, like Chan before him, argues instead for an approach that allows for state agency over structuralism, and the working through of politics both domestic and international: as Chan has put it, 'states make strategic choices, and officials and scholars construct realities.'²⁵ What this power transition argument neglects are some of the consequences of a world and regional order that render discussions of power in a hybrid global system somewhat more complex. Neither does this approach seek out evidence that shows attempts – which admittedly might well fail – to develop the cooperative areas in this often fraught Sino-American relationship. Mearsheimer is right to note that we are operating in a difficult period of adjustment in the security order in the Asia-Pacific that is generating high levels of tension. As noted earlier, nationalist sentiment is also disturbingly high and complicating decision-making. Longstanding sovereignty disputes are notorious for their ability to generate conflict.²⁶ But to predict a shooting war in 30-40 years – a dangerously long time-span for theories of international politics which he admits at the end of his chapter have a limited ability to predict the future and represent only 'rather crude instruments'²⁷ – in its starkness obscures the range of choices that decision-makers in the region as well as in Washington and Beijing face in the short to medium-term and which will shape the future.

²² Kirshner, 'The Tragedy,' esp. pp. 9-10.

²³ Chong and Hall, 'The Lessons of 1914,' pp.7-8.

²⁴ Kirshner, 'The Tragedy,' p. 9.

²⁵ Chan, *China, the U.S. and the Power-Transition Theory*, p. 4.

²⁶ See M. Taylor Fravel, 'Territorial and Maritime Boundary Disputes in Asia,' in Saadia M. Pekkanen, John Ravenhill and Rosemary Foot (eds.), *The Oxford Handbook of the International Relations of Asia* (Oxford: Oxford University Press, 2014).

²⁷ Mearsheimer, 'Can China rise peacefully?' p. 23.

As G. John Ikenberry has argued, and as Obama administration statements have underlined (as will be noted below), the realist account fails to take seriously that US-China rivalry is played out in a situation where both great powers are not just competitors but also deeply interdependent. Ikenberry describes the current international order thus: 'There are deep sources of conflict and mistrust generated by the anarchic and competitive structures of world politics. But there are also deep sources of stability and cooperation generated by the interdependence and mutual vulnerability that come with living in the modern era.'²⁸ Andrew Hurrell has put it somewhat similarly: 'We are ... not dealing with a vanished or vanishing Westphalian world, ... but rather with a world in which solidarist and cosmopolitan conceptions of governance coexist, often rather unhappily, with many aspects of the old pluralist order.'²⁹ Hurrell also notes that while power is shifting to the emerging powers, this is part of a much more general diffusion of power, 'often linked to technological changes, to changes in the global economy, and to new forms of social and political mobilization.'³⁰

That diffusion of power and the hybrid nature of world order complicates decision-making for all political actors and suggests that we need to investigate the full spectrum of concerns—domestic as well as external—that governments face when they determine their policies. A 'just you wait' form of argumentation based solely on changes in the distribution of power between the two leading states in the global system, draws our attention away from the short to mid-term strategies that both China and the United States *choose* to engage in and which may depend on different underlying logics in reference to a more complex set of pressures that parsimonious structural realist theories ignore. In what follows, I flesh out a discussion of the constraints that states in the region face and the way that those constraints are shaping decision-making in the contemporary era, beginning first with the Thucydides analogy and the current understandings of the so-called 'Thucydides trap.'

The Return of Thucydides and Historical Learning

When Chinese and US officials meet, as they do on several dozen occasions each year, they often refer explicitly to the academically-rooted idea of the 'Thucydides trap'. For example, Hu Jintao, when President, stated in the Sino-American Strategic and Economic Dialogue in 2012: 'We should prove that the traditional belief that big powers are bound to enter into conflict is wrong, and seek new ways of developing relations between major countries in the era of economic globalization.'³¹ Foreign Minister Wang Yi at the Brookings

²⁸ G John Ikenberry, 'The Rise of China, the United States, and the Future of the Liberal International Order,' in Shambaugh (ed.), *Tangled Titans*, p. 72.

²⁹ Andrew Hurrell, *On Global Order* (Oxford: Oxford University Press, 2007), p. 9.

³⁰ Hurrell, 'Power Transitions, Global Justice, and the Virtues of Pluralism,' *Ethics and International Affairs*, Vol. 27, No. 2, (2013), pp. 1-17.

³¹ Robert B. Zoellick, 'U.S., China and Thucydides,' *The National Interest*, July-August 2013, at <http://nationalinterest.org/article/us-china-thucydides-8642>.

Institution in September 2013 where he spoke of China's 'new model of major-country relations between China and the United States' also referred to the 15 cases of rising powers and the 11 cases where this has purportedly resulted in war between the emerging and the established state. The US and China, he stated, needed to work to avoid that outcome.³² Again at Davos in January 2014 Wang referred explicitly to the need to free the China-US relationship 'from the so-called Thucydides trap', with war not seen in zero-sum terms but as a 'lose-lose' outcome for two countries that are so closely integrated, as he put it. Wang also suggested that this type of thinking 'is the prime feature of the proposed new model of major-country relationship[sic].'³³ His cooperation agenda included such items as counter terrorism, cyber security (emerging as a particularly contentious issue), nuclear non-proliferation, climate change, peace in the Middle East, and Africa's development.³⁴

This historical awareness and reasoning is more than matched on the US side. One of the most elaborate versions of this perception has been provided by former US Secretary of State Hillary Clinton in March 2012 shortly after the 40th Anniversary of President Nixon's visit to China. As she put it then:

We've gone from being two nations with hardly any ties to speak of, little bearing on each other, to being thoroughly, inescapably interdependent. For two nations with long traditions of independence, deeply rooted in our cultures and our histories, these are unusual circumstances to say the least. They require adjustments in our thinking and our actions, on both sides of the Pacific. And so, how do we respond to what is not just a new challenge to our two countries, but I would argue, an unprecedented challenge in history?

Clinton went on in reference once again to power transition arguments:

We are now trying to find an answer, a new answer to the ancient question of what happens when an established power and a rising power meet. We need a new answer. We don't have a choice. Interdependence means that one of us cannot succeed unless the other does as well. We need to write a future that looks entirely different from the past. This is, by definition, incredibly difficult. But we have done difficult things before.³⁵

³² Wang Yi, 'Toward a New Model of Major-Country Relations between China and the United States,' (Washington, DC: Brookings Institution, 21 September 2013), at http://www.china.org.cn/world/2013-09/21/content_30086631.htm.

³³ 'Foreign Minister Wang Yi's Exclusive Interview with the Financial Times,' 29 January 2014, at <http://www.fmprc.gov.cn/eng/zxxx/t1124367.shtml>.

³⁴ Wang Yi, 'Toward a New Model.'

³⁵ Hillary Rodham Clinton, 'Secretary Clinton on 40 Years of U.S.-China Relations,' (Washington DC: US Institute of Peace), 7 March 2012, at <http://iipdigital.usembassy.gov/st/english/texttrans/2012/03/201203081765.html>. See also a similar statement that she made in Beijing in September 2012, quoted in Christopher K. Johnson, et al., 'Decoding China's Emerging "Great Power" Strategy in Asia,' A Report of the CSIS Freeman Chair in China Studies (Lanham: Rowman and Littlefield, 2014), p. 19.

These types of comments have continued to be made in the second term Obama administration: Thomas Donilon, when National Security Adviser in 2013, repeated the need to build 'a new model of relations between an existing power and an emerging one.'³⁶ Daniel Russel, the US Assistant Secretary of State for East Asia and the Pacific, underlined this theme in testimony before the Senate Foreign Relations Committee in June 2014, where he alluded to the view that the US and China are engaged in a 'zero-sum struggle for supremacy, if not conflict.'³⁷ From his perspective,

this deterministic analysis overlooks the role of leaders who have the ability to set policy and to shape relationships. It gives short shrift to the fact that our two economies are becoming increasingly intertwined, which increases each side's stake in the success of the other. It undervalues the fact that leaders in Washington and Beijing are fully cognizant of the risk of unintended strategic rivalry between an emerging power and an established power and have agreed to take deliberate actions to prevent such an outcome. And it ignores the reality of the past 35 years – that, in spite of our differences, U.S.-China relations have steadily grown deeper and stronger – and in doing so, we have built a very resilient relationship.

Kurt Campbell, a former US Assistant Secretary of State for East Asian and Pacific Affairs, also affirmed in 2014 in a less formal setting (referencing Thucydides once again) that the Obama administration objectives have been to 'try to go at this idea that the United States and China were destined for conflict, and that it was almost preordained.' He went on to stress that a major effort is underway 'to learn from the lessons of history, the very difficult lessons of history, and to apply different mechanisms and different approaches.' What are those mechanisms and approaches? Certainly not containment, but an insistence that China be given respect by being invited to 'join the big table' and to suggest through dialogue 'there is another way out than inevitable conflict.'³⁸ And I would suggest that, taking a longer time horizon of three decades or so, overall that integrationist strategy has borne reasonable fruit. If you look across a number of global issue areas in the security and economic domains, there has been a reasonably steady trend towards greater Chinese behavioural consistency with global norms in areas as diverse as financial regulation, the use of force, and the non-proliferation of nuclear weapons.³⁹ Within its own region, and on issues that relate to territorial integrity and disputed sovereignty, inevitably these disputes represent a major test of its behaviour and major disruption cannot be ruled out. But the overall strategy of integration and engagement has been a reasonably successful one, particularly when one

³⁶ Zoellick, 'U.S., China and Thucydides.'

³⁷ Daniel R. Russel, 'The Future of U.S.-China Relations,' Testimony before the Senate Foreign Relations Committee, Washington, DC, 25 June 2014.

³⁸ Campbell quoted in Robert Haddick, 'America has No Answer to China's Salami Slicing', *War on the Rocks*, 6 February 2014, at <http://warontherocks.com/2014/02/america-has-no-answer-to-chinas-salami-slicing/>. As is obvious from this title, Haddick does not support the approach that Campbell has outlined.

³⁹ Rosemary Foot and Andrew Walter, *China, the United States and Global Order* (Cambridge: Cambridge University Press, 2011).

examines China's behaviour in comparative perspective or over a period that includes the earliest years of Deng Xiaoping's Reform and Opening policy.

In order to demonstrate to Asia-Pacific states, in particular, that the US and China have both cooperative as well as competitive elements in their relationship, the two governments have tried to make good on this 'new era' language. In June 2013, Presidents Obama and Xi met for an informal summit in California, and laid out a full agenda for regular discussion.⁴⁰ In 2014, Obama and Xi met for ninety minutes at the Nuclear Security Summit where they held discussions on North Korea, Iran, climate change, cyber, Russia's annexation of Crimea, human rights, and the need to deepen bilateral military engagement. Stressing the positive, Xi pledged to 'adopt a more positive attitude and more vigorous actions to strengthen cooperation with the United States' and Obama noted that the two sides had 'made great strides.' Later on, China's foreign ministry spokesperson listed ten areas on which the two leaders had achieved 'common understanding,' including cooperation in the areas of trade and investment and military-to-military ties.⁴¹

The military-to-military relationship has notably advanced in part because of President Xi's firm directive to the PLA to seek to improve these ties.⁴² Secretary of Defense Chuck Hagel's first visit to China included a tour of China's one aircraft carrier, and meetings with China's Defence Minister and President Xi. Where the latter emphasized the need to manage and control differences, Hagel suggested proceeding along tracks that would lead to substantive discussion and greater openness, together with different forms of practical cooperation. Agreements reached, amidst much sparring over Japan, the South China Sea, and Taiwan, included further discussions on Xi's initiative -- first proposed at the Sunnylands Summit -- to establish a military notification mechanism; to set standards of behaviour to ensure safety at sea; and to convene an Asia-Pacific security dialogue.⁴³ A great deal of attention has also been given to the North Korean issue and how and under what conditions to restart the Six Party Talks.

⁴⁰ Xi signalled at this meeting a serious Chinese interest in Trans Pacific Partnership membership. National Security Adviser Susan Rice's Georgetown speech in November 2013 included a passage welcoming China's potential membership.

⁴¹ This and next paragraph are taken from Bonnie Glaser and Jacqueline Vitello, 'US-China Relations: China's Maritime Disputes Top the Agenda,' *Comparative Connections*, May 2014, at <http://csis.org/program/comparative-connections>.

⁴² 'China-US shared interests emphasized,' *Xinhua*, 23 April 2013, at http://news.xinhuanet.com/english/china/2013-04/23/c_132331972.htm and discussed in Johnson, 'Decoding China's Emerging "Great Power" Strategy,' p. 20.

⁴³ Perhaps this is why the US Department of Defense has distanced itself from the US Justice Department's 19 May indictment of five Chinese People's Liberation Army officers with 31 criminal counts of hacking. See 'DoD Distances Itself from US Hacking Indictment of PLA Soldiers,' 25 May 2014, at <http://www.defensenews.com/article/20140525>.

These attempts at dialogue and at routinizing the discussions of difficult issues between these two states may well prove impossible to bring to a satisfactory conclusion, but they do indicate some historical learning, and an ability to keep talking about the serious topics that often divide them. They also reflect some realization that states in the Asia-Pacific region, concerned about polarization, are also actors important to the shaping of the security order. I turn to this topic next.

Regional State Preferences

Power Transition theorists centre their analysis on dyadic relationships between great powers. There is little reference to the broader context in which those relationships operate, though it is clear that the wider Asia-Pacific affects the course of the Sino-American relationship in important ways. Noteworthy in this regard is that there has been constant reference in many Asia-Pacific states over several years to their desire not to have to choose between China and the United States in any contest between these two states.⁴⁴ Even America's alliance partners – in particular, Japan, the ROK, and the Philippines – have shown a desire from time to time not to be totally entrapped by Sino-American rivalry. This preference remains a dominant maxim to this day in the regional rhetoric and in regional policies, despite the crises that have erupted over the maritime sovereignty disputes, and that have led to some forms of behaviour that could be termed 'soft balancing.' An April 2014 Chatham House report, based on extensive interviews in Australia, India, Indonesia, Japan, Singapore and South Korea, notes that 'For most of the six countries, the foremost security concern is not a rising China, but how to maintain the balance between it and the United States. China is a vital economic partner, for many of them the largest, while the United States provides security to the region.'⁴⁵ Thus, a combination of security and economic interests underpin this regional policy.

However, it is important to recognize how deep-seated and long-standing this approach is especially for many of the smaller or weaker states that want to retain as much room for policy manoeuvre as possible. The creation of the Association of Southeast Asian Nations (ASEAN) in 1967, even as the Vietnam War raged, was in part designed to send the signal that outside major powers should not interfere in the sub-region or be provided with opportunities to set one Southeast Asian state against another, an understanding that has remained central to the organization.⁴⁶

⁴⁴ For an early discussion of this preference see Evelyn Goh, *Meeting the China Challenge: the U.S. in Southeast Asian Regional Security Strategies* (Washington DC: East West Center, 2005). See also, Steve Chan, *Looking for Balance: China, the United States, and Power Balancing in East Asia* (Stanford, CA: Stanford University Press, 2012).

⁴⁵ Xenia Dormandy with Rory Kinane, *Asia-Pacific Security: a Changing Role for the United States* (London: RIIA, Chatham House), p.15.

⁴⁶ Michael Leifer, *ASEAN and the Security of Southeast-Asia* (London: Routledge, 1989).

The method adopted for achieving a balanced position between China and the United States has been threefold: to bind China and the United States into regional multilateral institutions the geographical boundaries of which mostly indicate a preference for a geographically expansive definition of region; to keep ASEAN states at the centre of regional decisionmaking in order to defuse Sino-American rivalries; and to envelop both parties through a series of bilateral security and economic agreements.⁴⁷ While smaller and weaker states do not wish to become entrapped into a Sino-American agenda, they try to 'hedge', that is, to devise policies that would allow them to tip in one or other direction were it to become necessary to do so.

Local state preferences have been transmitted as political signals to the United States and China, which Washington in particular seems to have become attuned to. The Obama administration has taken note of the fact that most regional states do not like a US 'pivot' to Asia that appears to be mainly military in intent, and that tips towards containment of a resurgent China. Thus, the United States has a rebalancing strategy towards the region that also emphasizes its economic and political dimensions. The emphasis on the Trans-Pacific Partnership, the constant visits by high level officials to the region, the US appointment of an ambassador to ASEAN, and the signature of ASEAN's Treaty of Amity and Cooperation—even where these decisions pre-dated the formal announcement of the 'pivot'—have been used as a means of recasting its Asian strategy in a more moderate light. Speeches, too, by National Security Adviser Susan Rice, by Secretary of State John Kerry and notably by the President himself during his April 2014 visit to Japan, South Korea, the Philippines and Malaysia have each contained statements about the cooperative elements in the US-China relationship alongside statements of a deterrent nature (particularly in the case of Japan) about US alliance commitments in the event of a Chinese use of force. These statements of cooperative intent are designed not only to send signals to the Chinese government but also to inform the regional states that are most concerned about the prospects of polarizing rivalry. Local preferences, then, seem to have placed some constraints on US policy towards China and have slowed down the development of an all-out Cold War style containment policy towards the PRC. Knowledge and wariness of the 'Thucydides trap' in the Obama administration has added weight to the direction of this US strategy.

At the same time, the US presence in the region is bolstered by another long-standing meme: that Washington has acted as a benign hegemon that, unlike China, has no territorial ambitions and can act as a stabilizing force that allows the serious business of economic development to continue without distraction. The United States constantly reminds the local states that it has been the one to offer public security goods that have allowed the states to prosper. Many Southeast Asian governmental elites appear to accept this depiction of the US

⁴⁷ Alica D. Ba, *[Re]Negotiating East and Southeast Asia: Region, Regionalism, and the Association of Southeast Asian Nations* (Stanford, CA: Stanford University Press, 2009); Evelyn Goh, *The Struggle for Order: Hegemony, Hierarchy, and Transition in Post-Cold War East Asia* (Oxford: Oxford University Press, 2013).

role as essentially benign and stabilizing.⁴⁸ However, this message is also one that requires the US to live up to this role of stabilizer, and not operate as a country intent on trying to line up allies and enemies in the region in order to contain a resurgent China.

Finally, the US works to find a balance between support of its treaty allies and not becoming entrapped by them. It prefers to offer tempered support for some disputant claims in the South China Sea, and emphasizes the benefits of taking sovereignty disputes there to international adjudication. Even with its treaty ally, Japan, it has restated its formal alliance commitments but also has put pressure on the government to dampen down its historically revisionist rhetoric and undertake to improve its relations with the ROK and also with China.

China is less responsive to these signals. A combination of perceived victim status, the belief that its sovereignty claims are solid, and that its strength should command respect through acquiescence is hampering the maintenance of what was once a more subtle and sensitive approach towards its neighbours. Certainly, China has long been aware of the local states' desires to get along with it, given that the PRC is a part of their futures, for good and preferably not for ill. The earlier 'peaceful rise' and 'peaceful development' rhetoric was an attempt to play positively into that sentiment. It also has taken seriously in the past (and probably the present) ASEAN rhetoric that may sound indirect and non-confrontational, but nevertheless sends a signal to China that it is generating ASEAN unity and ASEAN disapproval over its behaviour in the South China Sea.⁴⁹

Indeed, the Chinese leadership still stresses the need for a stable and peaceful environment to aid China's rise, and under President Xi there is more fleshing out of what that implies over the longer term. At a work forum on diplomacy held in October 2013, Xi laid out China's mid-to long-term strategy and the 'extreme strategic importance' of the region of which China is a part. Xi spoke of the need to develop 'comprehensive relations' with regional states and also to 'consolidate friendly relations.' Among other things, this would mean strengthening diplomatic, security, and economic relations with the regional states in order to cultivate good will and increase the identification of these states with China, he stated.⁵⁰ Many of these policies seemed to be on offer during the East Asian summit and APEC meetings of 2013, and during the Chinese Prime Minister's tour of Southeast Asia. Prime Minister Li Keqiang attended the 16th ASEAN-China summit in Brunei to celebrate the 10th anniversary of the ASEAN-China strategic partnership. He also proposed the signing of a China-ASEAN treaty on good neighbourliness. The current list of Chinese initiatives is long

⁴⁸ Natasha Hamilton-Hart, *Hard Interests, Soft Illusions: Southeast Asia and American Power* (Ithaca, NY: Cornell University Press, 2013).

⁴⁹ Andrew Chubb, 'Can the US tone down to ASEAN's tune?' 26 May 2014, at <http://www.eastasiaforum.org/2014/05/26/>.

⁵⁰ For a valuable discussion of this work forum meeting see Timothy R. Heath, 'Diplomacy Work Forum: Xi Steps Up Efforts to Shape a China-Centered Regional Order', *ChinaBrief*, Vol. 13, Issue 22, 7 November 2013, pp. 6-10.

including a maritime silk road, a China-ASEAN 2+ 7 cooperation framework, and an Asian Infrastructure Investment Bank.⁵¹

Yet, pushing in the other direction, President Xi has also put great emphasis on the need to protect China's core interests relating to the territorial disputes that have roiled relations in the region. His stance is firm and seemingly uncompromising on these points, reportedly sending out the instruction that 'while firmly committed to peaceful development, we definitely must not forsake our legitimate interests or compromise our core national interests.' Neither should any country expect China to 'swallow the bitter fruit that undermines our sovereignty, security and development interests'.⁵² The leadership appears to believe its sovereign territorial claims are strong or stronger than those of other states in the region, and that it is playing catch-up to other states that have taken advantage of its relative quiescence over these issues until the last few years.⁵³

China's 'victim mentality' or perhaps factional struggle at high leadership level may well play into this uncompromising stance. Christopher K. Johnson has argued that 'maintaining a modest level of tension, both domestically and externally, is essential to achieving [Xi's] policy goals'.⁵⁴ However, these two policies of good neighbourliness and protection of core interests are in serious tension with each other and a 'modest level of tension' seems not quite to capture the current levels of anxiety China's behaviour has generated. The Chinese leadership signals restraint in its decision to manage these territorial disputes for the time-being, to prevent loss of control over them, and to ensure that crisis management mechanisms are strengthened.⁵⁵ Some aspects of its behaviour seem to show this management technique in action: according to recent data on ship movements compiled by Alastair Iain Johnston and M.Taylor Fravel, the Chinese government has cut back on the numbers of Chinese ships patrolling around the Senkaku/Diaoyu islands in dispute with Japan.⁵⁶ On the other hand, in May 2014 it moved a giant oil rig into an area of the Paracels also claimed by Vietnam, and the use of Chinese military ships has been reported to have increased in this instance.⁵⁷ In addition, the establishment of its Air Defence Identification Zone was viewed within the region as threatening, ham-fisted and unilateralist.

⁵¹ See Wang Yi, 'China will provide three important opportunities for neighbouring countries', at <http://www.fmprc.gov.cn/eng/zxxx/t1121116.shtml>, 16 January 2014.

⁵² Yang Jiechi, 'Implementing the Chinese Dream,' *The National Interest*, 10 September 2013 at <http://nationalinterest.org/commentary/implementing-the-chinese-dream-9026>.

⁵³ For a particularly powerful statement to this effect see the remarks of China's Chief of the General Staff, General Fang Fenghui, at the Pentagon, 15 May 2014, at <http://defense.gov/transcript>.

⁵⁴ Christopher K. Johnson, 'Decoding China's Emerging "Great Power" Strategy in Asia,' p. 47.

⁵⁵ Heath, 'Diplomacy Work Forum,' p. 8.

⁵⁶ M. Taylor Fravel and Alastair Iain Johnston, 'Chinese signaling in the East China Sea?' *The Washington Post*, 12 April 2014, at <http://www.washingtonpost.com/blogs/monkey-cage/wp/2014/04/12/chinese-signaling-in-the-east-china-sea/>. See also Zachary Keck, 'China and Japan Seek Détente?' *The Diplomat*, 16 April 2014.

⁵⁷ The oil rig was moved away in July 2014 having allegedly completed its seismic exploration.

Perhaps even more than with the US objectives in the Asia-Pacific, holding to the goal of consolidating regional ties in the context of a message also to protect China's sovereign claims is especially challenging and may well be overwhelmed by a deterioration in relations with the US and its neighbours, unexpected consequences, strident nationalism, and miscalculation. However, we could see Beijing's incrementalist approach as primarily a strategy that is (perhaps poorly) designed to manage these territorial disputes in the short and medium term, and control the risks of escalation, as Chinese leaders have stated is the aim. This approach is not necessarily representative of a grand strategic vision designed to demonstrate US decline and irrelevance as a security partner for US core and tacit allies in the region.

Economic Interdependence and Globalized Production Processes

The relationship between economic interdependence and reductions in international conflict has always been controversial as a point of discussion in the academic literature. It is an argument that has never quite recovered from a misreading of Norman Angell's *The Great Illusion* that the economic ties between Britain and Germany would serve to keep the peace on the eve of World War I. (In fact, Angell wrote that war would be hugely costly, not that war was impossible.)⁵⁸

There is little doubt that the economic relationship between China and the United States is vital to both parties. The United States remains China's major export market and its largest trading partner. China is the largest foreign holder of US treasury bills and America's second largest trading partner. In the last fifteen years, China's cumulative investment in the United States went from virtually nothing to US\$36 billion.⁵⁹ Moreover, from 1996-2011, China was the fastest growing export market for US companies and 'between 2000 and 2011, U.S. exports to China grew by 542 percent compared to 80 percent export growth with the rest of the world.'⁶⁰

However, these figures, constructed in bilateral terms and which assume that a good is wholly produced in one country and sold to another, obscure a more complex form of interdependence. A networked form of interdependence considerably raises the costs of conflict beyond those we associate with bilateral relations and the loss of a particular export market that can result from war. China and the United States, together with many other

⁵⁸ Martin Ceadel, *Living the Great Illusion: Sir Norman Angell, 1872-1967* (Oxford: Oxford University Press, 2009). Ceadel argues that Angell was partly to blame for the standard misinterpretation and that he spent a long time trying to correct the record.

⁵⁹ Daniel R. Russel, 'U.S. Policy Towards East Asia and the Pacific,' Remarks at the Baltimore Council on Foreign Affairs, Washington, DC, 29 May 2014.

⁶⁰ Charles W. Freeman III, 'The Commercial and Economic Relationship' in David Shambaugh (ed.), *Tangled Titans*, p. 181.

economies (including Taiwan's) in the Asia-Pacific region, are linked in dense and complex ways through global production chains.

As is well understood, the Asia-Pacific has relied extensively on export growth to facilitate its rise to having become the most dynamic region in the global economy. Much of that export trade has been in the form of networked trade making the region the centre of the globalization of production. Globalized production takes account of the fragmentation of the production process that can be achieved in areas such as electronics and technology, automobiles, footwear, toys, and so on.⁶¹ Networked trade makes use of the revolution in communications and transportation to break the value chain into various components.⁶² The share of network trade in the Asia-Pacific region is much higher than in other world regions and China is more heavily engaged in these networks than other countries. From 2009, its share in this type of activity topped the world average.⁶³ The PRC has had a core role in assembling final products made up of parts and components that derive from elsewhere in the region and that then go on to be sold in the US and other developed country markets.

The implications of this networked production for the outbreak of conflict are potentially profound: not only would there be damage to or loss of access to export markets, but also loss of access to inputs that, as John Ravenhill has put it, are 'critical to international competitiveness.' These losses would negatively affect the whole economic development model of the state or states in question. Ravenhill goes on to argue: 'To compare contemporary economic interdependence with that of previous eras is very much a matter of placing different objects in the same category: there have been qualitative changes in the character of interdependence as well as quantitative changes.' Countries depend on these linkages for 'critical inputs into their products; the networks also give them access to distribution and marketing channels and to brand names. Not only is this a world in which the costs of territorial conquest far outweigh any conceivable gains, but the potential costs of severing links with the global economy have also never been greater.' All this adds up to a significant change in the way that the costs and benefits of going to war are calculated.⁶⁴

Perhaps this is why the China-Japan economic relationship has not suffered extensively from the serious down-turn in strategic relations with Japan's exports to China rising 11 percent

⁶¹ Prema-Chandra Athukorala, 'Production Networks and Trade Patterns in East Asia: Regionalization or Globalization?' Asian Development Bank [ADB] Working Paper Series on Regional Economic Integration, No. 56, August 2010.

⁶² Stephen Brooks, *Producing Security: Multinational Corporations, Globalization, and the Changing Calculus of Combat* (Princeton, NJ: Princeton University Press, 2005).

⁶³ Hyun-Hoon Lee, Donghyun Park, and Jing Wang, 'The Role of the People's Republic of China in International Fragmentation and Production Networks: An Empirical Investigation,' ADP Working Paper Series, No. 87, September 2011.

⁶⁴ John Ravenhill, 'Production Networks in Asia,' in Pekkanen, Ravenhill, and Foot (eds.), *The Oxford Handbook of the International Relations of Asia*, pp. 358-9. See also his 'Economics and Security in the Asia-Pacific Region,' *The Pacific Review*, Vol. 26, No. 1, March 2013, pp. 1-15.

over the year 2012 to 2013 and Japan's imports from China increasing more than 30 percent over the same period. Writing in *Foreign Affairs* in July 2013, Richard Katz described the economic interdependence between China and Japan as an economic version of mutual deterrence helping to preserve the 'uneasy status quo.' He went on to note that some '60-70 percent of the goods that China imports from Japan are the machinery and parts that China needs to make its own products', products that it mainly sells to the developed world and particularly to the United States.⁶⁵ We have seen too in the eruption of violence in Vietnam in May 2014, in response to China's stationing of an oil rig in waters that Vietnam claims as its own, how this has led international companies to call on the Vietnamese authorities to clamp down on the public protests that have led to factory shutdowns in a country that has established itself as a global manufacturing hub. In response, a mass text message sent to mobile phone users passed on the news that the Vietnamese Prime Minister had ordered the security forces to stop 'illegal acts,' and the demonstrations were brought to a swift end.⁶⁶

The Obama administration similarly recognizes the critical importance of this form of interdependence between economies in the region and their linkages with the global economy. It realizes, therefore, the importance of stability to its own economic health, as well as the economic health of its major allies such as Japan and the ROK. Many Obama administration speeches point to the Asia-Pacific region as the 'home to some of the fastest growing economies in the world'; to the strong ties between the region and American society, including American companies; and the vital need for America to remain involved in this most prosperous part of the world. It is a key underpinning of US interest in the Asia-Pacific region, rendering somewhat mute the question of whether the US 'pivot' is real.⁶⁷

The economic consequences of conflict among countries that are bound together in complex ways have to be factored into the decision-making in Washington and Beijing, as well as elsewhere. This is especially so in states that are trying to enact a complex domestic reform agenda (as in China's case), or as with the United States seeking recovery from the effects of the global financial crisis that began in 2008. This adds up to a varied set of US and Chinese

⁶⁵ Richard Katz, 'Mutual Assured Production: Why Trade Will Limit Conflict Between China and Japan,' *Foreign Affairs*, July-August, 2013. See also Justin McCurry, 'Why will Japan and China avoid conflict? They need each other' in *The Christian Science Monitor*, 5 February 2014. In addition, there have been reports of meetings between Chinese and Japanese officials in Tokyo, visits by Japanese business delegations to Beijing where they met Chinese Vice President Li Yuanchao, meetings between METI Minister Toshimitsu Motegi and China's Minister of Commerce Gao Hucheng on the sidelines of the APEC Trade Ministers' conference in Qingdao, and meetings during the Boao Forum in southern China. Keck, 'China and Japan Seek Détente?' See also, *The Oriental Economist*, Report, Vol. 82, No. 6, June 2014, edited by Richard Katz (New York: Japan Watchers LLC).

⁶⁶ 'Vietnam urged to end mob violence,' *Financial Times*, 19 May 2014, p. 8. Of course, this international economic pressure may benefit China more than Vietnam even though its actions were the initial cause of the protests.

⁶⁷ See for example, statement by the US Assistant Secretary of State to the House Committee on Foreign Affairs, Subcommittee on Asia and the Pacific, Daniel Russel, 'Maritime Disputes in East Asia,' 5 February 2014.

domestic interests that will be intent on trying to ensure that the US and Chinese governments manage as well as possible a difficult, multi-faceted, bilateral relationship.

Domestic Economic and Political Priorities

That last point relates to the final section of this discussion paper: the understanding that economic performance offers a form of political legitimacy for many governments in the Asia-Pacific region, and is especially important in countries where democratic processes are weak or non-existent.⁶⁸ This is a long-standing belief among Asia-Pacific states and serves to link economics with security (regime and state) in ways that power transition theories tend to ignore. Of course, nationalism also can perform this legitimating function, but we have seen how often nationalist demonstrations over purportedly sovereignty questions (e.g. Vietnam as at May 2014) are at the root of a wider domestic dissatisfaction connected with the unfair and unjust distribution of the fruits of the economic boom that many Asia-Pacific states have been experiencing. For these reasons, governments will often attempt to curb nationalist protest in case they take on this wider significance.⁶⁹

Economic growth, even as that growth is projected to go lower than 7.5 percent per annum, remains a priority for China. This has been emphasized in the 12th Five Year Plan, at the Third Plenum of the 18th Party Congress held in November 2013, and again at the second annual session of China's 12th National People's Congress in March 2014. But economic performance now means something more than growth rates and includes consideration of the quality of that growth. China's reform agenda is huge, involving an extensive anti-corruption campaign that is targeted not just at State-Owned-Enterprises but also even at former Politburo Standing Committee members such as a previous security chief, Zhou Yongkang. Beyond this, the reforms are designed to deal with a vast social agenda including reducing the huge inequalities in society; providing better health care and social welfare to an ageing society; dealing with environmental degradation; and suppressing or containing the unrest among minorities in Tibet and Xinjiang, unrest that has become more violent and unpredictable in form. Indeed, an important study of China's defence spending has argued that China's future defence budget growth 'will face increasingly powerful headwinds as motley domestic and social challenges demand the attention of China's leaders.'⁷⁰ No-one

⁶⁸ A point made strongly in Chan, *Looking for Balance*.

⁶⁹ And see in this connection, Jessica Weiss, *Powerful Patriots: Nationalist Protest in China's Foreign Relations* (New York: Oxford University Press, forthcoming 2014) and James Reilly, *Strong Society, Smart State: the Rise of Public Opinion in China's Japan Policy* (New York: Columbia University Press, 2012), both of whom argue that the Chinese government has needed to maintain controls over nationalist protest and has generally succeeded in doing so. The Vietnamese case has usefully been discussed in Edward Wong, 'Q. and A.: Edmund Malesky on Vietnam and China,' *New York Times*, 30 June 2014, at <http://sinosphere.blogs.nytimes.com/2014/06/30/q-and-a-edmund-malesky-on-vietnam-and-china.htm>.

⁷⁰ Adam P. Liff and Andrew S. Erickson, 'Demystifying China's Defence Spending: Less Mysterious in the Aggregate,' *The China Quarterly*, Vol. 216, December 2013, p. 826.

should underestimate the importance of this reform agenda to the PRC leadership under President Xi, and the way these goals have to form a part of its calculations when it considers its economic and political ties with the United States as well as its other neighbours.

Similarly, for the United States, the war-weary Obama administration, with a stronger commitment to diplomacy (multilateral and bilateral) than administrations in the recent past, and scepticism about the value of overt uses of force, affects the policy choices it has made. So too has the desire to reduce unemployment levels after the economic recession. Obama's 2014 State of the Union address made clear that his administration would not engage in open-ended conflicts and would continue to stress the value of diplomacy, multilateral approaches and negotiation.⁷¹ As Obama returned from his trip to Asia in April 2014, he responded to his critics by asking 'Why is it that everybody is so eager to use military force...after we've just gone through a decade of war at enormous cost to our troops and to our budget.'⁷²

Public sentiment, while generally critical of Obama's foreign policy, is in agreement with an approach that focuses more on domestic problems. Some 51 percent of Americans when polled stated that the United States is over-extended abroad and 47 percent that problems at home, including the economy, should get more attention. Some 52 percent said that the United States 'should mind its own business internationally and let other countries get along the best they can on their own.' But this is not an isolationist stance since '66 per cent think greater involvement in the global economy is a good thing.'⁷³ In reference to this latter point, according to *Business Roundtable*, in 2014, 76 percent of Americans support Congressional passage of Trade Promotion Authority legislation and 85 percent support ongoing US trade negotiations with the Asia-Pacific region and European countries.⁷⁴

Certainly, the United States has been involved in the overt use of force many times in the post-Cold War era, but Washington's policy towards the Asia-Pacific and towards China in particular reflects a more subtle appreciation of the complexity of the global political economy and the way that it affects domestic priorities and broader strategic goals. It also reflects an understanding of the problems of legitimating uses of force and the ways that a lack of legitimacy can undercut the short-term success of material preponderance in any

⁷¹ 'President Barack Obama's State of the Union Address,' 28 January 2014, at <http://www.whitehouse.gov/the-press-office/2014/01/28/president-barack-obamas-state-union-address>.

⁷² 'Ending Asia Trip, Obama Defends his Foreign Policy,' *New York Times*, 28 April 2014, at <http://www.nytimes.com/2014/04/29/world/obama-defends-foreign-policy-against-critics-htm>.

⁷³ Bruce Stokes, 'Public Opinion May Restrict Obama's Second-Term Foreign Policy,' 17 December 2013 at <http://www.chathamhouse.org/196320>.

⁷⁴ Business Roundtable, at <http://businessroundtable.org/media/news-releases/new-poll-shows-vast-majority-americans-support-trade-agreements>, 11 March 2014. This group is made up of CEOs of major US companies, with \$7.4trillion in annual revenues, more than 16 million employees, and more than a third of the total value of the US stock market. In 2011, it lobbied the US Congress to oppose a bill designed to urge China to accelerate the appreciation of its currency against the US dollar.

violent encounter. Even for the militarily powerful United States, I am not so sure that security trumps economics in quite the way that power transition theorists have claimed. While the Obama administration is committed to the rebalance towards Asia, this is not intended as straightforward containment of China, but is a combination of deterrence, integration, and pacification—a difficult policy to pull off but one that shows state agency in the face of material change.

Conclusion

We cannot afford to be complacent. To get the policy right requires wisdom and subtlety and some analysts would see these attributes as being generally in rather short supply. Many policy elements that I have discussed have to be balanced in order to avoid being in tension one with another.⁷⁵ For example, the United States seeks a forward presence for deterrent and reassurance purposes in the Asia-Pacific, but not so forward that it exacerbates the security environment, disturbs regional governments and undermines their support for the US presence, and makes the ground infertile for the development of some areas of cooperation between the United States and China. China undoubtedly will keep pressing and protecting its so-called core interests—Taiwan, sovereignty disputes in maritime areas, but also its interests in its domestic reform agenda. But for the time being at least, it wants to try to balance this with emphasis on the provision of regional economic public goods and regular attention to an agenda with the United States that reflects their interdependence in many policy areas and which also helps to sustain Beijing's focus on its domestic economic needs.

Many Asia-Pacific states remain watchful and some have articulated more clearly their policy preferences in an era of strategic change. They remain as committed as ever to protecting their space for policy manoeuvre. Developments over the last few years underline that the regional future is not about settlement or resolution of differences, I would suggest, but portends a continuing and complex series of negotiated crises kept in some check by:

- An awareness of the stakes involved and of what can happen when we have shifts in relative power;
- The realization that turning power into real influence requires being attentive to the desires of others; and
- That there is still much to do to improve the well-being of one's own population, a primary source of legitimacy for many governments in the region and beyond.

⁷⁵ One publication that helps us to think about how to reach a balanced US and Chinese policy along the lines outlined here is Steinberg and O'Hanlon, *Strategic Reassurance and Resolve*.

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