

# STRATEGIES FOR MANAGING CHINA'S RISE



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## ABSTRACT

China's dramatic rise is occurring in the context of several factors that make outright military or territorial expansion difficult for a rising power. While these factors constrain China from engaging in a European style great power expansion, affected states in Asia and beyond are constrained by several factors in forming outright balance of power coalitions or developing containment strategies toward China. These constraints have been compounded by the fact that China has adopted two of the three critical variables of liberal peace, economic interdependence and international institutions, but has rejected the third pillar, democracy. This democratic deficit in its rise creates great uncertainty for Asian neighbors and the US because China's intentions are not easy to gauge. The United States and states in Asia have responded with a multiple set of strategies in this uncertain phase of Chinese rise. But no single strategy today explains state responses to China's rise. The umbrella strategy is hedging, relying on engagement, soft balancing and limited hard balancing. The article explores the value of these strategies while offering some policy recommendations for the future.

## INTRODUCTION

The dramatic rise of China has generated a number of

challenges to the global security order. Rarely in history has a major state grown economically so powerful in such a short period of time. It is also rare that a power has become so much stronger without a matching balancing coalition directed against it. China's authoritarian system generates several challenges to the idea of power transitions, in contrast to what the world witnessed on the European continent over several centuries. What is unique is that China's rise is occurring in the context of five critical changes in world politics. First, an unprecedented level of economic globalization has bounded the states of Asia and other great powers together, and especially with China. Second, exercising coercive military force to arrest or accelerate change in the global system has become difficult. Third, defense and deterrence have primacy today over offense due to the impact of military technology, including nuclear weapons, making rapid territorial gains difficult to obtain, if not impossible, for a potentially expansionist power. Fourth, the exponential rise of nationalism against the backdrop of norms of territorial integrity and non-intervention has made the occupation of others' territory cumbersome, if not unthinkable. And finally, the absence of an intense ideology such as Fascism has made it harder to mobilize a whole nation in pursuit of a big war. These constraints mean that any rising power, or status quo power facing a rising power state, has to devise different strategies other than aggressive military expansion or military response to obtain

their goals. Affected regional states also need to calibrate their strategies accordingly.

While these factors constrain China from engaging in a historically European style great power expansion, regional states in Asia and beyond are equally constrained by several factors in forming outright balance of power coalitions or an intense containment strategy against China. Both opportunity and willingness are missing in creating a powerful balance of power coalition against the rising power. The constraints in responding to China's rise have been compounded by the fact that China has partially adopted two of the critical variables of liberal peace, economic interdependence and international institutions, but has rejected the third pillar, democracy. This "democratic deficit" of China creates great uncertainty for its neighbors and the US because China's intentions are not easy to gauge. Although current interactions are not intensely hostile, other states have to assume that they may not remain so in the future when China acquires more economic and military capabilities. Even if China proclaims that it is a peace-loving nation and that it has a "peaceful rise/development strategy," other countries have little incentive to take this Chinese rhetoric for granted given that they have limited direct contact inside the Chinese decision-making centers, especially the People's Liberation Army (PLA). Since 2010, internal dynamics have generated pressures on China's leaders to ratchet up its territorial disputes with neighboring states in Asia-Pacific. The unpredictable behavior of China regarding territorial disputes has further added a new dimension to the uncertainty milieu as far as China's rise is concerned.

States in Asia, despite their long-standing rivalries with China, have responded with an array of strategies in this uncertain phase of Chinese rise. No single strategy today explains state responses to China's rise, but overall there has been a hedging approach with diplomatic engagement, soft balancing, and limited hard balancing. Other strategies, derived from previous historical instances of rising powers, include: intense hard balancing, bandwagoning, preventive war, appeasement, economic and political sanctions, accommodation, containment, rollback, and buck-passing.<sup>1</sup> However, these have limited application in the current context. Hard balancing and preventive war would involve active military competition or the use of coercive force that can generate un-

intended consequences, and much violence, for the involved great powers and the smaller states caught in the crossfire.

In the following sections, I outline the relevance of hedging and each of its three key component strategies— diplomatic engagement, soft balancing and limited hard balancing – before offering some policy recommendations. These strategies aim at buying time and are purported to respond to the power of the rising state in a "wait and see" mode with the possibility of revisions if necessary.

## HEDGING AS AN UMBRELLA STRATEGY

Hedging is indeed the most prominent umbrella strategy in today's world. The concept arises from the business world. The idea is to engage in an insurance policy in order to see if in the future the rising power will engage in aggressive behavior or if an active hard balancing, relying on formal military alliances and intense arms buildup, will be required to contain its ambitions. "Hedging your bets" implies that the future is unpredictable, and by placing oneself in a mode of "wait and see" while making use of present opportunities, one's options will be wider rather than narrower. A second purpose of hedging is to maximize leverage points with the rising power. Since the rising power is offering both collective and private goods such as trade and investment, it is difficult to abandon such benefits because doing so endangers the economic prosperity of one's country. Hedging also signals to the rising power that it cannot change course into an aggressive posture without generating major consequences for itself and the regional/global order. States will thus continue hedging vis-à-vis China in the near and medium term as it allows them freedom of action and helps reduce tensions among major power actors.

Hedging, partially based on diplomatic engagement, has been the US strategy under President George W. Bush and during the first term of President Barack Obama. For instance, the Bush administration's National Security Strategy of 2006 stated: "The United States will welcome the emergence of a China that is peaceful and prosperous and that cooperates with us on common challenges and mutual interest... while we hedge against other possibilities."<sup>2</sup> The Obama administration had in general pursued the same policy framework vis-à-vis China until 2010. After an initial enthusiasm for diplomatic engagement, the administration added lim-

<sup>1</sup> Randall L. Schweller, "Managing the Rise of Great Powers: History and Theory," in *Engaging China: The Management of an Emerging Power*, ed. Alastair Iain Johnston and Robert S. Ross (London: Routledge, 1999), 1-31.

<sup>2</sup> George W. Bush, *National Security Strategy of the United States* (Washington, DC: The White House, 2006), 41-42.

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ited hard balancing to the mix through its Asia pivot strategy. This policy has been endorsed by analysts like Fareed Zakaria, who argues: “Like many hedge funds, the US strategy should have a ‘long bias’ meaning it should place greater emphasis on efforts to engage China, since that is by far the preferable (and much less costly) strategy compared with entering into a new, long Cold War with what is also likely to be the world’s largest economy.”<sup>3</sup> He advises, “if however, China’s rise becomes threatening and destabilizing, America should also have in place strong alliances with other Asian powers such as India and Japan ... as building blocks to balance Chinese expansionism.”<sup>4</sup>

Hedging strategy has been criticized as an “overly passive reactive strategy” akin to “muddling through.”<sup>5</sup> However, one can argue that hedging is not just a reactive but a proactive strategy aimed at altering China’s intentions through positive and negative pressures, as it offers the prospects for rewarding Chinese moderation, thereby strengthening domestic forces favoring engagement while at the same time keeping in reserve the power necessary to check revisionist factions within China.<sup>6</sup> However, there is no guarantee that hedging would always generate the intended consequences. The umbrella strategy of hedging involves diplomatic engagement with the rising power bilaterally and multilaterally.

### Diplomatic Engagement

Diplomacy has been a long-standing approach to deal with a rising power. Engagement could be both at the official and the non-official level, aimed at gauging the strategies and policy directions of the rising power and vice versa. It can take place at both bilateral and multilateral forums and settings. Diplomatic engagement is also aimed at offering confidence and trust-building as each side gets to know the intentions and capabilities of the other. Engagement does not guarantee long-term success, and failures or disappointments can generate distrust and mutual antagonisms. Powers can interpret or misinterpret statements or commitments regarding each other’s intended objectives. Engagement need not release any new information on the intent and capabilities of the other party and verification is still not possible, especially with respect to the military buildup of the rising power. But engagement is better than non-engagement, as states, much like individuals, need regular communications to avoid misunderstandings and misperceptions. Engagement with China in the economic and diplomatic realms has provided some relief to regional states, but the engagement in the military realm remains low and clouded by suspicion.

Engagement assumes that the rising power is not thor-

<sup>3</sup> Fareed Zakaria, “A ‘Hedge’ Strategy Toward China,” *The Washington Post*, November 15, 2010, assessed August 21, 2014, [http://www.washingtonpost.com/wp-dyn/content/article/2010/11/14/AR2010111403883.html?wpisrc=nl\\_opinions](http://www.washingtonpost.com/wp-dyn/content/article/2010/11/14/AR2010111403883.html?wpisrc=nl_opinions)

<sup>4</sup> Ibid.

<sup>5</sup> Jeffrey W. Legro, “What China Will Want: The Future Intentions of a Rising Power,” *Perspectives on Politics* 5(2007): 515-34.

<sup>6</sup> Steven Loleski, Comments, McGill University, July 12, 2010.

oughly revisionist in its strategic goals. If it already has a strategy of fundamentally upsetting the world order and revising the rules of the game, it would use engagement as a tool for justifying its actions. This is exactly what Nazi Germany did in the 1930s. Engagement under these circumstances would become “appeasement” as the status quo powers would end up helplessly watching the revisionist power expanding despite their anticipations of good behavior from the latter.

Asian states as well as other key states have been pursuing diplomatic engagement with China at multilateral forums such as the G-20, BRICS (Brazil, Russia, India, China, and South Africa), APEC (Asia Pacific Economic Cooperation), ARF(ASEAN Regional Forum), and SCO(Shanghai Cooperation Organization), as well as international institutions such as the UN, WTO, World Bank, IMF, and other specialized forums dealing with issue areas such as climate change. These forums have given China and other states opportunities to work together and exchange views on issues that affect all. It is unclear how these engagements have helped to reduce conflict over core security issues that divide China and its regional neighbors. The underlying assumption is that China is not a thoroughly revisionist state, at least for now.

US engagement with China involves both bilateral and multilateral forums. Bilaterally, the discussions include annual Department of Defense dialogues with the PLA, the State Department’s engagement with relevant Chinese agencies on non-proliferation and arms control, and the Strategic Security Dialogue (SSD) involving the deputy secretary of state on a variety of issues like cyber security, maritime security, and missile defense, in addition to the engagements by the Secretaries of State and Treasury on economic and political issues. Furthermore, since March 2009, the US-China Strategic and Economic Dialogue (S&ED), the “highest-level bilateral forum,” has been holding annual meetings. Interestingly, in the summer of 2014 Chinese naval vessels participated in a multinational naval exercise led by the US off the coast of Hawaii. While the engagement has helped to generate a limited level of cooperation, mutual suspicions persist on a variety of issues.

India has had considerable engagement with China as Beijing has become India’s leading trade partner. Mechanisms have been developed to discuss their long-standing border disputes with the joint working group meeting several times, although they have not been able to find a lasting solution. These dialogues have indeed reduced the possibility of escalation of occasional crises or border violations. Further, bilateral visits of leaders and key officials are common in this relationship. The new Indian government led by Prime Minister Narendra Modi has already placed relations with China on a high pedestal and both sides are committed to “engaging energetically.” However, what is noticeable is that even while engagement goes on, both sides accuse each other of crossing what they consider as the correct border demarcations. In addition, multilateral engagement through the BRICS forum is another major venue for discussions between the two countries. In July 2014, India along with Brazil, Russia

and South Africa, agreed to join the BRICS New Development Bank (NDB), to be headquartered in Shanghai. China and India have also participated in joint military exercises, although India does more of such exercises with the US and other countries than with China.

Southeast Asian countries in general have been pursuing a policy of “constructive engagement” with China using diplomacy as a way to socialize China into the “ASEAN Way.” They have been pursuing this policy even though China has ratcheted up the island conflicts since 2007. They have some eight separate disputes over maritime boundaries, with the key ones including the China-Philippines dispute over the Spratly Islands, Vietnam’s claim over the Paracel Islands, and Philippines-China claims over Scarborough Shoal. China’s nine-dash line maps make considerable claim over a vast stretch of area south and east of its Hainan province based on historical interpretations, such as periodic occupation by Chinese empires. Almost all regional states reject these and claim their rights are based on the 1982 UN Convention on the Law of the Sea, which gives them an exclusive economic zone of 200 nautical miles radius to the islands. In fact, the considerable deposits of mineral resources such as oil and gas beneath the zones make them attractive targets for both China and the regional states to make contentious claims.<sup>7</sup> What is noticeable is the return of the behavioral patterns of the early 1990s when the island disputes produced several crises. China subsequently shelved the claims for a period as part of its “peaceful rise strategy” and launched a charm offensive toward Southeast Asian nations. However, today, the trust developed between the two sides through diplomatic engagement appears to be considerably diminished.

Taiwan especially has pursued engagement with China under very difficult circumstances. As business relations have improved, mutual economic interests have somewhat mellowed the rhetoric of conflict. However, the military preparations on both sides seem to continue unabated. Taiwan’s democratization and the creation of an economic constituency there in favor of greater trade with China have generated pressures for engagement, but it is termed a “pseudo engagement” by some scholars as the fundamental issues dividing these states remain unaltered and have become complicated over the years.<sup>8</sup>

### Soft Balancing

Diplomatic engagement can also be augmented by the use of institutions to constrain the rising power. Analysts have coined the concept of “soft balancing” to describe the phenomenon of limited balancing taking place in the inter-

national system in the early 21<sup>st</sup> century.<sup>9</sup> The soft balancing debate has generated much literature in the past decade or so. So far it has been used largely in the context of responses by second-tier states toward US power and threatening behavior. However, the soft balancing arguments can be extended to state responses toward the emerging power, China. Why are states today resorting to soft balancing instruments (relying on economic and institutional instruments and limited ententes) as opposed to intense hard balancing (relying on formal military alliances and arms buildups)?

The soft balancing school has emerged in the context of a growing body of international relations literature, which contends that balance of power as a theory and policy instrument has become a historic relic in the post-Cold War era.<sup>10</sup> Many consider the rise of China to have been occurring without an active balance of power coalition being formed against it.<sup>11</sup> China has been rapidly emerging as the lead economic power and is also modernizing its military strength. Although China has touted its policy as “peaceful rise” (later calling it “peaceful development”), it is unclear why affected regional states in Asia-Pacific should not yet have formed active balancing coalitions in response to it. They have instead increased their economic interdependence with China and included it in many regional institutional frameworks such as the APEC, ARF, and SCO. Even the most affected states, India and the US, had pursued a hedging strategy by forming only a limited strategic dialogue/partnership in response to China’s rise up until 2010.<sup>12</sup>

What explains the lack of intense hard balancing by the second-tier major powers, and Asian states, vis-à-vis China for the first two decades of the 21<sup>st</sup> century? I argue that since

<sup>7</sup> For the dispute see “Q&A: South China Sea dispute,” *BBC News Asia*, May 8, 2014, accessed on August 21, 2014, <http://www.bbc.com/news/world-asia-pacific-13748349>.

<sup>8</sup> Steven M. Goldstein, “Terms of Engagement: Taiwan’s Mainland Policy,” in *Engaging China: The Management of an Emerging Power*, ed. Alastair Iain Johnston and Robert S. Ross (London: Routledge), 80.

<sup>9</sup> T.V. Paul, “Soft Balancing in the Age of U.S. Primacy,” *International Security* 30(2005): 46-71; Robert A. Pape, “Soft Balancing Against the United States,” *International Security* 30(2005): 7-45; Stephen M. Walt, *Taming American Power: The Global Response to U.S. Primacy* (New York: W. W. Norton, 2005).

<sup>10</sup> Richard Ned Lebow, “The Long Peace, the End of the Cold War, and the Failure of Realism,” *International Organization* 48(1994): 249-77; John A. Vasquez, “The Realist Paradigm and Degenerative versus Progressive Research Programs: An Appraisal of Neotraditional Research in Waltz’s Balancing Proposition,” *American Political Science Review* 91(1997): 899-912; Edward Rhodes, “A World Not in Balance: War, Politics and Weapons of Mass Destruction,” In *Balance of Power: Theory and Practice in the 21st Century*, ed. T.V. Paul, James Wirtz, and Michel Fortmann (Stanford: Stanford University Press, 2004), 150-78.

<sup>11</sup> David C. Kang, “Hierarchy, Balancing, and Empirical Puzzles in Asian International Relations,” *International Security* 28(2003/04): 165-80; Amitav Acharya, “Will Asia’s Past Be Its Future?” *International Security* 28(2003/04): 149-64; Steve Chan, “Unbalanced Threat or Rising Integration? Explaining Relations across the Taiwan Strait” (paper presented at the conference on Domestic Politics and International Conflict, College Station, Texas A&M University, January 23-25, 2009).

<sup>12</sup> Denny Roy, “Southeast Asia and China: Balancing or Bandwagoning?” *Contemporary Southeast Asia* 27(2005): 305-22; Evelyn Goh, *Great Powers and Southeast Asian Regional Security Strategies: Omni-enmeshment, Balancing and Hierarchical Order*, Working Paper No. 84 (Singapore: Institute of Defense and Strategic Studies, 2005).

the end of the Cold War, major power states have mostly abandoned traditional hard balancing – which was based on countervailing alliances and intense arms buildup – at the systemic level, at least for the first two decades, but they have not been helplessly watching China’s rise. Eligible states (defined as those that are affected and have the potential to develop balancing coalitions) have pursued multiple avenues to constrain Chinese power and to maintain their security and influence, by switching back and forth with soft balancing to buck-passing and to free-riding, depending on specific issue-areas. Regional states in Asia have engaged in soft balancing strategies toward China in response to its meteoric rise, especially through institutional means such as the ARF. The soft balancing strategies involve the formation of limited diplomatic coalitions or ententes, with the implicit threat of upgrading alliance relationships if China goes beyond its stated goals vis-à-vis regional states. This does not mean that they always have succeeded as China has used techniques to divide the Southeast Asian states in the ASEAN forums.

Since 2010, these states have been resorting to limited hard balancing in addition to soft balancing. I define *soft balancing* as “restraining the power of a state through international institutions and concerted diplomacy through limited informal alliances and economic sanctions, while making its aggressive actions less legitimate in the eyes of the world and hence its goals more difficult to obtain.” Soft balancing, in short, allows states to pursue a hedging strategy as it gives time to consider harsher hard balancing at a subsequent point in time. Moreover, relations need not become rigidified between the target and the states attempting soft balancing.

In the context of the rise of China, soft balancing has become palatable to other states because (i) the rising power’s position and military behavior are of concern but do not yet pose a serious challenge to the sovereign existence of other great powers; (ii) the rising power is a major source of international public goods in the economic area which cannot be replaced easily; (iii) second-ranking states do not have the political will or military wherewithal to pursue a highly confrontational hard balancing strategy; and (iv) the rising power cannot easily retaliate militarily or economically as the balancing efforts by others are neither overt nor directly challenging its power position with military means. While pursuing soft balancing, second-tier states could engage the rising power and develop institutional links with it in order to ward off possible intense retaliatory actions.<sup>13</sup>

In the Chinese case, the ongoing soft balancing efforts have centered on institutional efforts of the ASEAN states to constrain Beijing and the tacit efforts of India and Japan to ally with the US. The soft balancing efforts of the US include the creation of tacit alliances in Asia involving India, Japan, and the ASEAN states. These efforts simultaneously engage

China and are viewed as part of a hedging strategy to limit the Chinese expansion into the Pacific and Indian Ocean and any aggressive claims over disputed territories with its neighboring countries. It has been argued that ASEAN states have maintained a strategy of engagement and hedging through “low intensity balancing against China” and aligning themselves with the US on a modest level.<sup>14</sup> Since 2009, the main arena for soft balancing has been the ARF. The former US Secretary of State Hillary Clinton used the forum in 2010 to defend maritime security in the Pacific, and regional states such as the Philippines used it to support their positions. China, however, has been reluctant to engage in multilateral discourse on the dispute, fearing the soft balancing efforts by the regional states would constrain its territorial claims and activities. It has been able to prevent the ASEAN annual meeting crafting a unified position on the disputes since the 2012 annual conference. In August 2012, the host country Cambodia, a Chinese ally, ensured that no consensus document emerged from the meeting.

There are indeed limits to pursuing soft balancing alone. China’s territorial dispute behavior and increasing assertiveness have generated fears of a revisionist power unwilling to accept international legal norms to manage the disputes in South and East China Seas.

#### Limited Hard Balancing

Since 2010, the United States and regional states have adopted a limited hard balancing strategy along with diplomatic engagement and soft balancing. This is in response to increasingly proactive Chinese behavior over disputed islands. The provocations were not one-sided, as Japan took some precipitating actions in 2011 in nationalizing the Diaoyu/Senkaku islands. However, Chinese reactions have been much more militaristic than expected. Protests, some violent, within China showed the potential for escalation. The active offshore oil and gas explorations by China and the ASEAN states like Vietnam and the Philippines are causing more friction and naval confrontations than in the past. In response, the Philippines has strengthened military ties with the US, including more frequent visits by American naval vessels to its ports. Indonesia has strengthened military ties with the US as well, while Vietnam has improved its security links with India by allowing Indian oil companies to explore oil and gas in the contested areas. Japan is also increasingly involved in the South China Sea, especially by providing training to the Philippine and Vietnamese armed forces.<sup>15</sup> Singapore has also increased US base facilities on its territory.

Vietnam-China relations plummeted in May 2014 when Beijing deployed a giant oil rig close to the Paracel Islands, which Vietnam considers within its territorial waters. This led to the ramming of Vietnamese and Chinese ships, the sinking of a Vietnamese fishing boat, and massive anti-China

<sup>13</sup> T.V. Paul, “Introduction: The Enduring Axioms of Balance of Power Theory and Their Contemporary Relevance,” in *Balance of Power: Theory and Practice in the 21st Century*, ed. T.V. Paul, James Wirtz, and Michel Fortmann (Stanford: Stanford University Press, 2004), 1-28.

<sup>14</sup> Roy, “Southeast Asia and China.”

<sup>15</sup> See Zhao Hong, “The South China Dispute and China-ASEAN Relations,” *Asian Affairs* 44 (2013): 27-43.

riots in the country. During this period China has also ratcheted up its disputes over the Spratly and other islands with Vietnam, the Philippines, and Malaysia. Its non-recognition of relevant Law of the Sea provisions (or selective acceptance of some aspects), dispatch of naval vessels to the disputed areas, dredging channels, and the building of oil exploration facilities, as well as limited skirmishes with the Southeast Asian navies, have generated much concern. Is this the beginning of a more aggressive territorial push by China? The regional states have increased military spending, deployed additional naval capabilities and strengthened military relationship with the US, which is short of a full-fledged hard balancing behavior. That is why I call it limited hard balancing.

The United States took additional military measures, but even those cannot be called full-fledged hard balancing akin to what was directed toward the Soviet Union during the Cold War era. The chief activity has been the Obama administration's evolving Pivot to Asia policy since 2011. In June 2012, the Secretary of Defense Leon Panetta announced that the US will place 60 per cent of its naval ships in the Pacific and 40 per cent in the Atlantic, in comparison with the 50/50 split now. The policy contains other elements such as strengthening the defense alliances with South Korea, Japan, and Australia, developing new bases in the Asia-Pacific, and deploying additional troops in Australia and a doctrine of Air-Sea battle concept.<sup>16</sup> The Pivot policy still relies on limited arms buildup and small-scale deployments in bases such as in Australia. Nonetheless, it is not a full-blown military commitment unlike what the US had vis-à-vis the Soviet Union during the Cold War.

## APPROPRIATE STRATEGY

The question that arises, given the uncertainties about China and its rise, is what appropriate mix of strategies Asian states should follow. I argue that they are doing the right thing by following a mixed strategic approach of "hedging," which includes soft balancing, diplomatic engagement, and limited hard balancing, making China realize that the response will be based on China's particular strategic approach towards them. Despite a potential criticism that these strategies are "making a virtue out of necessity," they have several advantages:

First, they leave the ball in China's court for the next move.

Second, they give the Asian states a certain amount of freedom to pursue any single strategy if circumstances change. They could form a serious hard balancing coalition as and when necessary.

Third, these strategies buy regional states much needed time to gauge events and respond.

Finally, they are also a form of deterrence intended to prevent the rising power from initiating drastic revisionist policies.

While a hedging strategy is appropriate for the short term, it needs to be strengthened with proper long-term initiatives. For instance, the potential coalition for balancing China must have the wherewithal to stand up to Beijing when such a situation arises. This means the economies and the defensive capabilities of potential coalition partners should improve vis-à-vis China. If they remain weak, balancing will not be an appealing strategy to them. They may be compelled to appease or bandwagon instead. The improvement of economic capabilities of these states also will spread the wealth in Asia and open up new markets and prosperity to other Asian states besides China, and thereby decrease Beijing's incentives to upset relations with them. A large market like India could easily become a second major economic pole, making the prospects of a unipolar Asia emerging unlikely anytime soon. The regional states trading with both China and India would become less vulnerable to the machinations of either power. A managed, multipolar, non-zero-sum order is most conducive to peace in Asia.

Similarly, the regional states must have sufficient defensive and deterrent capabilities against a potential Chinese belligerent or expansionist policy. The Chinese Navy is likely to strengthen in the longer term. Once its naval power expands with the availability of aircraft carriers and several bases on the littoral of the Indian and Pacific Oceans, Chinese power will increase and therewith its offensive capabilities. It is not unimaginable a day will come when the US will have a minimal naval presence in the Pacific due to economic cutbacks (as Britain did in 1956 by withdrawing naval forces beyond the Suez) and China will attempt to fill the vacuum. Diplomatic resistance of regional states will have little meaning unless they themselves acquire sufficient deterrent and defensive capabilities. This may well be the reason why countries such as Japan have embarked on a military modernization program and no longer object to the Indian military buildup, particularly its nuclear weapons program. Despite the problems generated by Pakistan's nuclear capability, the Indian deterrent may be necessary as a stabilizer in the region and as a hedge against overtly aggressive policy by Beijing. Similarly, the regional powers such as Japan, Korea, Vietnam, and Taiwan should maintain powerful defensive capabilities as these would add to the total deterrent strength against China within a hedging strategy.<sup>17</sup> A massive arms buildup or arm race is not what is called for, but rather developing a calibrated capability mix able to give pause to Beijing if it considers military expansion.

In order to make hedging more effective, regional states need to coordinate their defensive and deterrent postures

<sup>16</sup> "Secretary of Defense Panetta Outlines Broad Framework of US Pivot to the Pacific," *Defense Update*, June 5, 2012, accessed on August 21, 2014, [http://defense-update.com/20120605\\_secretary-of-defense-panetta-outlines-broad-framework-of-us-pivot-to-the-pacific.html#.U9O-8Vavv8s](http://defense-update.com/20120605_secretary-of-defense-panetta-outlines-broad-framework-of-us-pivot-to-the-pacific.html#.U9O-8Vavv8s)

<sup>17</sup> It should be noted that China itself may be pursuing hedging strategy and one analyst treats its energy policy as an example of "strategic hedging." See Brock Tessman, "Great Powers and Strategic Hedging: The Case of Chinese Energy Security Strategy," *International Studies Review* 13 (2011): 214-40.

without massively upsetting China. This may mean working with fellow democracies such as the US, Japan, India, and Australia to develop newer and better defensive systems, especially naval capabilities and rapid deployment forces. These defense/deterrence responses are meant to dissuade Beijing's decision-makers from acting in any overtly aggressive manner. Communicating to China that the military systems are not meant for offensive purposes would be important in this context. Institutionalized interactions must continue and forums such as the G-20, BRICs, the ARF, and the SCO must take up security as a major issue area while creating mechanisms for confidence building, crisis management, and peaceful resolution of disputes. Simultaneously, the defensive alliance system of the US, South Korea, and Taiwan must remain in place as they offer a pillar of order and stability in the region.

Economically, regional states need to avoid being overly dependent on one source of economic growth - that source being China. They need to develop alternate markets and investment sources such as India, Brazil, and South Africa in order to reduce their dependence and potential vulnerabilities. Healthy economic competition among the Asian giants - China, Japan, Korea, and India - is in the interests of the regional states as they can leverage their position in such a situation and do not become too dependent on one source for trade and investment.

Despite all the policies regional states pursue, China's actions and strategies matter immensely, even though its internal political dynamic is unpredictable. In many senses, the ball is in China's court, because if China wants its rise to be peaceful it has to follow a less belligerent policy. It needs to follow legal and cooperative norms more than confrontational strategies. The coercive diplomacy China pursued since 2009 with respect to Japan, India, and the ASEAN states such as Vietnam and the Philippines have only alienated those who believe in a benign China. Countries have become more concerned and their trepidation shows in the flurry of diplomatic visits of leaders of the US, Japan, India, and ASEAN states to each other's capitals since 2010. China's inability or unwillingness to rein in North Korea's aggressive behavior toward South Korea and open pursuit of a nuclear weapons capability, as well as its increasing support for Pakistan's revisionist policies in South Asia and Iran suggest that China may use client states or protect highly revisionist regional powers to advance its interests. These policies are clearly not well thought out as the muddying of the regional order has not benefitted China in any significant manner.

The 2010 naval skirmishes between China and Japan, China's subsequent economic sanctions on Japan, and its clashes with the Philippines and Vietnam in 2013 and 2014 showed that China has begun to assert its military muscle and is not averse to using coercive instruments to achieve compliance from regional states. China may be taking a cue from the US foreign policy book by applying coercive diplomacy as and when it pleases. It may also be expecting that the regional states, fearing adverse consequences, would comply or even-

tually bandwagon with China. Classical coercive diplomacy involves a range of foreign policy instruments that are available to superior powers. It often starts with the signaling and communication of an intent to cause behavior modification and, if necessary, goes on to threaten the use of force along with diplomatic efforts to induce cooperation. The threat of active use of force is regarded as giving more teeth to diplomatic efforts aimed at altering a particular behavior.<sup>18</sup>

Despite their political and practical appeal to the state applying them, coercive policies have serious limitations as a credible universal option to achieve target compliance. They are highly context-dependent instruments if and when they succeed. Even if such strategies work in the short run, in the long-term they may increase the target state's determination to entrench its position and acquire capabilities or allies to resist future pressures. It may force domestic constituencies to emerge and become more hawkish in dealing with the threatening state. State choices in this respect are heavily dependent on perceived security threats and, if these considerations outweigh potential benefits of compliance, states would resist attacks on what they perceive as core interests even if it entails major casualties and the destruction of their economic and military capabilities.

Coercive diplomacy in the US case also has been a mixed bag. The US has applied it towards states suspected of seeking nuclear weapons - like Iraq, Iran, and North Korea - and the results have been very mixed. In the Iraqi case, a full-fledged war was necessary and the other two cases show the failure of coercive strategies. However, China faces more constraints in executing coercive diplomacy.

First, China does not have the same amount of leverage points (diplomatic, economic and military) as the US does with secondary states. Second, the Asian states have a powerful ally - the US - to go to if they need it. Third, unlike the US, China cannot muster international cooperation to sustain a campaign of coercive diplomacy or coercive economic sanctions, as very few states will follow the Chinese lead. Fourth, long-term US intentions have been quite clear for allies and adversaries. With regard to China this is a major weakness. No one knows what China really wants after it rises to global power status. Will China seek hegemony, partial hegemony, or complete dominance? Will it behave like any aggressive rising power bent on enlarging its territorial and political sphere of influence while settling long-running territorial disputes with neighbors using threats? Which course China will take is unclear to its neighbors and other interested states, and this is a problem as Beijing's power and ambitions increase.

In this respect, it is in China's interest to engage in military confidence building exercises with its neighbors and share information on its intentions and capabilities. Making its regional neighbors jump to worst case assumptions on the basis of Chinese capabilities alone is not in China's interests either, especially if it is intent on rising peacefully.

<sup>18</sup> Alexander George, *Forceful Persuasion: Coercive Diplomacy as an Alternative to War* (Washington, DC: United States Institute of Peace, 1991).

## CHINA'S CHALLENGE

These discussions point to a fundamental challenge to Chinese decision-makers and strategic planners. What kind of international and regional order will China want to help create? What is the ultimate purpose of the “peaceful rise/development strategy?” Can China acquire security and power by offering a conception of international order different from, yet not conflictual with, that offered by the US? China has placed very high importance on sovereignty, i.e. maintaining its own freedom of action while slowly integrating internationally.<sup>19</sup> However, the big question is whether China truly believes in the sovereignty norm for other states in Asia by respecting their territorial boundaries. Others have argued that China’s increasing participation in and socialization through international institutions have encouraged it to accept more cooperative and “self-constraining commitments” in areas such as arms control.<sup>20</sup> The questions are whether such socialization is of a durable nature or episodic, and whether regional states accept them at face value in the context of changing domestic political dynamics, increasing power capabilities, and China’s changing aspirations with regard to its status and role in world politics.

Furthermore, is China gaining legitimate authority and status in East Asia? It may be very difficult to replicate the US experience as China has not offered much in terms of collective goods to the regional states as the US does. Although China may be offering collective goods in economic areas such as trade and investment, it is yet to offer substantive security goods. China’s strong notions of territoriality and sovereignty and its own narrow conceptions of national interests are all part of the reason for this deficiency. States in East Asia are unlikely to buy the Chinese notions of order although that may be Beijing’s ultimate aim – resurrecting a kind of the Middle Kingdom-vassal state approach. In other words, getting followership is a challenge for China if it does not properly articulate what its notions of order are. In the meantime, other Asian states with the aid of the US are likely to continue the hedging strategy, relying on limited hard balancing, soft balancing, and diplomatic engagement while maintaining their core alliance system with the US which has survived for over 60 years.

## CONCLUSION

The ball is in China’s court. If it attempts to pursue the strategies of previous European powers, intense hard balancing will return. However, cornering China is also a risky strategy for regional powers given Beijing’s economic clout

and the potential of a nationalist backlash within that country. They need to develop sophisticated strategies to restrain China. Since 2010, China has unsuccessfully sent mixed signals, creating more confusion about China’s intentions than Beijing expected. The future of Asia and China lies in strategic synchronization rather than strategic dissonance. If the ultimate goal is peace and mutual security, China and its neighbors should refrain from pinpricking strategies that have the potential to create constant crises, possible wars, and enduring rivalries. Stronger institutions are needed to create long-term peace and order as they provide the necessary forums for all states concerned to socialize and adopt common norms.

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<sup>19</sup> Allen Carlson, *Unifying China, Integrating with the World: Securing Chinese Sovereignty in the Reform Era* (Stanford: Stanford University Press, 2005).

<sup>20</sup> Alastair Iain Johnston, *Social States: China in International Institutions, 1980-2000* (Princeton: Princeton University Press, 2008).