Between the Eagle and the Dragon: America, China, and Middle State Strategies in East Asia

G. JOHN IKENBERRY

FOR MORE THAN HALF A CENTURY, THE UNITED STATES has played a leading role in shaping order in East Asia. This East Asian order has been organized around American military and economic dominance, anchored in the U.S. system of alliances with Japan, South Korea, and other partners across Asia. Over the decades, the United States found itself playing a hegemonic role in the region—providing security, underwriting stability, promoting open markets, and fostering alliance and political partnerships. It was an order organized around "hard" bilateral security ties and "soft" multilateral groupings. It was built around security, economic, and political bargains. The United States exported security and imported goods. Across the region, countries expanded trade, pursued democratic transitions, and maintained a more or less stable peace.

Today, this regional order is giving way to something new. Within Asia, a regional power transition is taking place, driven by the rise of China. In earlier decades, China existed for the most part outside the "old order." With rapid growth and transforming patterns of regional trade, China is now very much within it. The regional power transition can be seen as a double shift. The region is becoming increasingly interconnected through trade, investment, and multilateral agreements. And, under the shadow of the rise of Chinese economic and military capabilities, the region is taking

G. JOHN IKENBERRY is the Albert G. Milbank Professor of Politics and International Affairs at Princeton University in the Department of Politics and the Woodrow Wilson School of Public and International Affairs. He is also Co-Director of Princeton's Center for International Security Studies.

POLITICAL SCIENCE QUARTERLY | Volume 131 Number 1 2016 | www.psqonline.org
© 2016 Academy of Political Science
DOI: 10.1002/polq.12430

No part of this article may be copied, downloaded, stored, further transmitted, transferred, distributed, altered, or otherwise used, in any form or by any means, except: one stored electronic and one paper copy solely for your personal, non-commercial use, or with prior written permission of the publisher.

on a more explicit balance of power dynamic. The region is simultaneously experiencing growth in multilateral trade and cooperation and new signs of great power competition.

Out of these changes, East Asia is increasingly marked by the emergence of two hierarchies. One is a security hierarchy dominated by the United States, and the other is an economic hierarchy dominated by China. Countries in the region are relying on the United States to provide security. The American-led alliance system has been playing this "hub and spoke" role for decades. Allies across the region continue to rely on this alliance system for security, and for many countries, these security ties are deepening. At the same time, most of the countries in the region are increasingly tied to China for trade and investment. Over the last decade, countries that previously had the United States as their major trade partner—countries such as Japan, South Korea, Australia, and the Philippines—now have China as their leading trade partner. The United States is still an important market and leader of the world economy, but China is the economic center of Asia—and it will be more so in the future.

The emergence of this "dual hierarchy" raises important questions. Past regional and global orders have tended to have a more singular hierarchy of economics and security. For weaker or secondary states, the dominant military power was also the dominant economic power. What happens when "middle states" are tied to different security and economic lead states?[1] How stable is this sort of dual hierarchical order? What sort of strategies will middle states pursue within this dual system of order? When push comes to shove—if it does—will middle states ally with their security patron or with their economic patron? What are the strategies that the United States and China will seek to pursue within the context of this dual hierarchical order? How stable is it as a regional order? Is it best seen as a transitional order in which one or the other lead state eventually emerges as the dominant power, or might it persist as a stable geopolitical equilibrium?[2]

In this article, I explore the strategies and possible pathways of change within this dual hierarchical system. All the states—China, the United States, and the middle states—face complex choices and trade-offs. I focus

[1]In this article, I use the term "middle states" to refer to countries in East Asia that are tied to the United States for security cooperation and China for trade and investment. These include Japan, South Korea, Australia, and most of the ASEAN countries.

[2]See Evan A. Feigenbaum and Robert A. Manning, "A Tale of Two Asias: In the Battle for Asia's Soul, Which Side Will Win—Security or Economics?," *Foreign Policy*, 31 October 2012, accessed at http://foreignpolicy.com/2012/10/31/a-tale-of-two-asias/, 18 October 2015.

on the incentives and constraints that all the states face within the context of shifting security and economic relationships.

I advance three arguments. First, the dual hierarchical order does create and reinforce competitive dynamics between the two lead states. There are increasingly two states offering hegemonic leadership within the region. As a result, the United States and China will find themselves increasingly competing for influence and the loyalties of middle states. In this hegemonic competition, the United States and China can both offer the benefits of their leadership. They will each have carrots and sticks to push and pull the region in their direction. The United States has its extended security system as an asset, and China has its trade and investment assets. Each state will seek to offer the region its hegemonic services. Each state also has tools with which to apply political pressure. But there are costs and unwelcome consequences if the United States and China attempt to use, respectively, their security and economic leverage. In the end, it will be the middle states that have the ability to shift the regional order in one direction or the other—or to make choices to preserve the double hierarchy.

Second, all the states have a potentially dominant strategy that could serve to stabilize and preserve this dual hierarchical order. The middle states of the region have reason to want this dual hierarchy to persist. They will not want to make a choice between the United States and China. They will want to receive the security benefits of allying with the United States and the economic benefits of trading with China. At the same time, they will worry about the credibility of America's security commitment, and they will worry about the possibility that China will use its growing economic position to dominate the region. In effect, they will worry about both their security and economic dependency.

In this context, the United States will have incentives to remain a security provider in the region. But its allies will not want to engage in full-scale balancing against China. Again, they will not want to be forced to choose between the United States and China. So the United States will be inclined—if it can—to pursue a "not too hot and not too cold" strategy. It will not want to be too aggressive toward China, seeking to contain and isolate China, which would force the middle states to pick sides. Nor will it want to be too soft and accommodating toward China, which would undercut the role and credibility of the U.S.-led security system. China, in turn, has an incentive not to trigger a backlash against its growing power, so it will have incentives to signal restraint and accommodation. China faces a problem of "self-encirclement." It will want to find ways to rise peacefully without galvanizing a counterbalancing response. These considerations suggest that incentives do exist for all states in the region to

acknowledge and operate within this dual hierarchical order. It is an order in which the middle states have some collective influence over the policies of both the United States and China. As a result, with this underlying incentive structure, the order has the potential to remain a stable equilibrium.

Third, the evolution of this dual hierarchy will depend on several variables. One variable relates to the ability of the United States to remain a credible security provider. What are the judgments that middle states in the region will make about the willingness and ability of the United States to provide security—honoring alliances, forward-positioning forces, and responding to the emerging security needs of middle states in the region? What are the terms and conditions for establishing such credible commitments? Can the United States sustain these commitments under conditions of relative economic decline? A second variable relates to the willingness and ability of China to signal restraint and accommodation as it grows more powerful. Can China operate in the region as a stabilizing force? Can it present itself to the region as a status quo power that does not seek to upend the American-led alliance system? The deeper question here is really about China's preferences for regional order. Does China see the United States as trespassing within East Asia? Will China seek to use its growing economic position in the region to push middle states into loosening their security ties to the United States? Or is China happy with economic leadership alone based on the material benefits it brings, without having to pay the costs of being a hegemon?

A final variable shaping the evolution of this dual hierarchy order relates to the deeper "fundamentals" of security and economic dependency. This is actually a series of questions. Do international orders ultimately depend on a single hegemon that organizes and enforces order? In the theoretical literature on hegemonic order, the organizer and leader of the order is both the dominant military and economic state. The willingness of the lead state to provide security for the wider regional or global order is associated with the economic benefits that flow from the order. With a dual hierarchical order, the costs and benefits of security provision and economic gain are separated, so the willingness of the two lead states to do what they do will hinge on how they experience and evaluate these costs and benefits. Beyond this, there is also the deep question of which national interest—security or economic gain—ultimately drives strategic decision making. If "push comes to shove," will middle states in the region side with their security patron or with their economic patron? Again, the middle states may not want to face this choice. But if they are forced to make a choice, which "existential value" trumps the other?

This article looks first at the emergence of security and economic hierarchies in East Asia. After this, it explores the strategic logic of the two lead states—the United States and China. The article follows this discussion with a focus on the strategic incentives and choices of the middle states. As we shall see, the choices—as well as the costs and benefits of these choices—are interdependent. The choices and decisions that the United States and China make will depend on the other, and the incentives and choices of both states will depend on the decisions of middle states. In the end, the way this dual hierarchy system plays out will hinge on the ability of all the states in the region to craft agreements that establish credible restraint and commitment.

In this emerging regional order, the United States will not exercise hegemony as it has in the past. At the same time, however, the future will not be a simple story of China rising up and pushing the United States out. The opposite is more likely the case. The rise of China is actually serving to draw the United States into the region in new ways—particularly in Southeast Asia. America's recent entrance into the East Asian Summit and its closer ties with ASEAN (Association of Southeast Asian Nations) reflect this growing American involvement. At the same time, countries in the region are integrating into a regional economic system that is dominated by China. This dynamic increases the potential tensions between these two existing hierarchies. Again, the question presents itself: how will these security and economic spheres—and the states that inhabit them—interact?

HEGEMONY, POWER BALANCE, AND POWER TRANSITIONS

Order in East Asia is in transition, but what precisely do we mean by "order"? Order refers to the settled arrangements—rules, institutions, alliances, relationships, and patterns of authority—that guide the interaction of states. Order reflects the organizational principles and rules that shape and direct state relationships. Order breaks down and gives way to disorder when these settled rules and principles no longer operate. Order can be imposed by a dominant state, or it can reflect more consensual and agreed-upon rules and relationships. Orders can be regional or global.[3]

[3]For general theoretical accounts of the logic and character of international order, see Hedley Bull, *The Anarchical Society: A Study of Order in World Politics* (New York: Columbia University Press, 1977); Robert Gilpin, *War and Change in World Politics* (New York: Cambridge University Press, 1981); and Andrew Hurrell, *On Global Order: Power, Values, and the Constitution of International Society* (New York: Oxford University Press, 2007).

As such, international order can manifest in many ways. Scholars of international relations have tended to identify two major types of international order—order built around hierarchy and order built around the balance of power. In an order that is organized around hierarchy, a leading state presides over weaker and secondary states. Hierarchical orders can vary in terms of the degree to which hierarchy is based on coercion or consent. Hierarchical orders with "imperial" characteristics are those that are built and maintained through coercion and direct domination. Hierarchical orders with "liberal" characteristics are organized around more consensual rules and relations between the lead state and weaker and secondary states.[4] Hierarchical orders that are not fully imperial, based instead on leadership and indirect control by a leading state, are often referred to as hegemonic orders. Hegemonic order is hierarchical and reflects the dominant power position of a leading state. But relations of hierarchy are infused with elements of consent and legitimacy. In a hegemonic order, the dominant state establishes its position through leadership, bargains, and the provision of various "goods," such as security and markets.[5]

Robert Gilpin provides the classic theoretical account of the logic of hegemonic order.[6] The leading state uses its commanding capabilities—power, market, and ideological appeal—to build order. Within a hegemonic order, rules and rights are established and enforced by the power capacities of the leading state. Compliance and participation within the

[4]See David Lake, *Hierarchy in International Relations* (Ithaca, NY: Cornell University Press, 2007); Ian Clark, *The Hierarchy of States: Reform and Resistance in the International Order* (New York: Cambridge University Press, 1989); and G. John Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major War* (Princeton, NJ: Princeton University Press, 2001).

[5]See Charles P. Kindleberger, *The World in Depression, 1929–1939* (Berkeley: University of California Press, 1986); Robert O. Keohane, "The Theory of Hegemonic Stability and Changes in International Economic Regimes, 1967–1977," in Ole R. Holsti, Randolph M. Siverson, and Alexander L. George, eds., *Change in the International System* (Boulder, CO: Westview Press, 1980), 131–162; Stephen Krasner, "State Power and the Structure of International Trade," *World Politics* 28 (April 1976): 217–247; Duncan Snidal, "The Limits of Hegemonic Stability Theory," *International Organization* 39 (September 1985): 579–614; Arthur Stein, "The Hegemon's Dilemma: Great Britain, the United States, and the International Economic Order," *International Organization* 38 (Spring 1984): 355–386; G. John Ikenberry and Charles A. Kupchan, "Socialization and Hegemonic Power," *International Organization* 44 (Summer 1990): 283–315; David A. Lake, "Leadership, Hegemony, and the International Economy: Naked Emperor or Tattered Monarch with Potential?," *International Studies Quarterly* 37 (December 1993): 459–489; and Ian Clark, *Hegemony in International Society* (New York: Oxford University Press, 2011). On the British and American experiences as hegemonic leaders, see Robert Gilpin, "The Rise of American Hegemony," in Patrick Karl O'Brien and Armand Clesse, eds., *Two Hegemonies: Britain 1846–1914 and the United States 1941–2001* (Burlington, VT: Ashgate, 2002); Joseph S. Nye, Jr., *Bound to Lead: The Changing Nature of American Power* (New York: Basic Books, 1990); and Carla Norrlof, *America's Global Advantage: U.S. Hegemony and International Cooperation* (New York: Cambridge University Press, 2010).

[6]Gilpin, *War and Change in World Politics*.

order is ultimately ensured by the range of power capabilities available to the hegemon—military power, financial capital, market access, technology, and so forth. Direct coercion is always an option in the enforcement of order, but less direct "carrots and sticks" are also mechanisms to maintain hegemonic control. Over time, power and wealth eventually diffuse, new challengers emerge, and hegemonic war follows—and a new order is forged in its wake. States rise up and build international order—and they rule over that order until they grow weak and are challenged by a newly powerful state. In one way or another, a leading state becomes powerful and builds international order.

The other major type of order is organized around a balance of power. In an order based on balance, order is maintained through an equilibrium of power among major states. No state dominates or controls the system. Order emerges from a power stalemate. States compete, build alliances, and maneuver to prevent a strong and threatening state from establishing dominance. Kenneth Waltz has been a leading theorist of balance of power order. In his rendering, states resist the dominating ambitions of powerful states.[7] In a decentralized world of sovereign states, the best way to ensure survival and security is to keep power balanced. Weak and secondary states will find themselves allying together to resist powerful states. Power is safest when it is counterbalanced.[8]

Both the hegemonic and balance of power logics are relevant for understanding the character of order in East Asia. As I will discuss later, over the last half century, order in East Asia has been maintained through American hegemonic leadership. The United States has presided over the regional order as its most powerful state, an order that, at least until recently, has been organized around American-led economic and security hierarchical relationships. With the rise of China, the regional order has begun to exhibit the balance of power logic. There is a growing mixture of hegemony and balance within the region.

The logic of international order is most clearly revealed during dramatic shifts in the distribution of power. These "power transitions" are moments when the dominant state begins to weaken and lose power. Other states are rising and growing powerful—and they begin to challenge the leading state

---

[7]Kenneth Waltz, *Theory of International Politics* (New York: Wiley, 1979).

[8]Balance of power refers to order built around competition and counterbalancing between two or more major states. The theory and history of balance of power orders is the subject of a vast scholarly literature. See Michael Sheehan, *The Balance of Power: History and Theory* (London: Routledge, 1996); Richard Little, *The Balance of Power in International Relations: Metaphors, Myths, and Models* (New York: Cambridge University Press, 2007); and Stuart J. Kaufman, Richard Little, and William C. Wohlforth, eds., *The Balance of Power in World History* (New York: Palgrave Macmillan, 2007).

for dominance and control of the order. During the late nineteenth century, for example, British dominance of international order was increasingly challenged by the rise of Germany economic and military power. The United States was also slowly passing Britain as an emerging global power. As power shifts, the underpinnings of the old order begin to weaken. Rising states have their own agendas. Struggles ensue over leadership and—at a deeper level—over the basic rules, institutions, and principles of order itself. At these power transition moments, great powers find themselves maneuvering for authority and influence.[9]

The dynamics of international order are also reflected in the strategies that states—large and small—adopt in the face of shifting power distributions. These strategies run along a spectrum from "balancing" to "bandwagoning." States that face a rising and increasingly dominant great power can oppose and resist that power—doing so, at the extreme, by organizing a balancing coalition against it. Or states that face a rising great power might attempt to engage and work with that rising power. States might simply seek to appease the rising state or take steps to "tame" its power by binding it to regional or global institutions.[10]

These logics and strategies are useful in illuminating the changing character of order in East Asia. The United States remains the leading hegemonic power in Asia, but hegemonic leadership is eroding and fragmenting in various ways. A power transition is under way in the region. China is a rising state that will increasingly have capacities for hegemonic leadership. The power transition under way creates uncertainties and insecurities across the region. Within this dynamic setting, the leading and middle states in East Asia—the United States, China, and the states in between—are engaged in a sort of grand geopolitical adjustment process. We can look more closely at the emerging dual hierarchical character of regional order and the choices and strategies of the states within it.

EAST ASIA'S DUAL HIERARCHY

During the Cold War decades and into the 1990s, the United States was the hegemonic leader of East Asia. The United States was both the leading security provider in the region and the leading source of trade and

[9]For classic accounts of the problem of power transitions, see Gilpin, *War and Change in World Politics*; and A.F.K. Organski, *World Politics* (New York: Alfred A. Knopf, 1958).

[10]For discussions of strategies of response to rising power, see Randall Schweller, "Managing the Rise of Great Powers: History and Theory," in Alastair Iain Johnston and Robert Ross, eds., *Engaging China: Managing a Rising Power* (London: Routledge, 1999); and Kristen P. Williams, Steven E. Lobell, and Neal Jesse, *Beyond Great Powers and Hegemons: Why Secondary States Support, Follow, or Challenge* (Stanford, CA: Stanford University Press, 2012).

investment. The United States was hegemonic in that it took on overarching responsibilities for managing order in the region. By building alliances and projecting power into the region, the United States dampened security competition between China and Japan, addressed the security concerns of smaller states, and affirmed the territorial status quo in the region. In building transpacific trade relations and opening its markets to East Asian exports, the United States encouraged trade-oriented development and dampened nationalist economic competition.[11] During these decades, China was to a large extent outside the security and economic realms of the region.

Order in the region was led and maintained by the United States—and in this sense, order in the region was organized around hierarchical relationships rather than a balance of power. The United States provided security, open markets, and working political relationships with its partners, and in return, these countries agreed to affiliate with the United States, providing logistical, economic, and diplomatic assistance to the United States as it operated as a global superpower.

At the heart of this "old" East Asian regional order was the American-led alliance system—which is still the centerpiece of regional order. Since the end of World War II, and again in the 1950s and onward, the United States built and extended defense ties with countries across the region. These ties have tended to be bilateral, and together they constitute what has frequently been referred to as a "hub and spoke" system. The United States' security treaties with Japan and Korea are the core of this security system, but these security ties extend outward as well to Australia, Thailand, and Taiwan.[12]

This American-led order in East Asia had a sort of stable functional logic. This is true for several reasons. First, the bilateral system of alliances provided the political and geographic foundations for the projection of American influence in the region. With forward bases and security

[11]For depictions of this American hegemonic order in East Asia, see Evelyn Goh, *The Struggle for Order: Hegemony, Hierarchy, and Transition in Post-Cold War East Asia* (New York: Oxford University Press, 2013); David Kang, "Hierarchy and Stability in Asian International Relations," in G. John Ikenberry and Michael Mastanduno, eds., *International Relations Theory and the Asia-Pacific* (New York: Columbia University Press, 2003); Michael Mastanduno, "Incomplete Hegemony: The United States and Security Order in Asia," in Muthiah Alagappa, ed., *Asian Security Order: Instrumental and Normative Features* (Stanford, CA: Stanford University Press, 2003), 141–170; and G. John Ikenberry, "American Hegemony and East Asia Order," *Australian Journal of International Affairs* 58 (September 2004): 353–367.

[12]See Evelyn Goh, "Hierarchy and the Role of the United States in the East Asian Security Order," *International Relations of the Asia-Pacific* 8 (September 2008): 353–377; Victor Cha, "Complex Patchworks: U.S. Alliances as Part of Asia's Regional Architecture," *Asia Policy* 11 (January 2011): 27–50; and Cha, "Powerplay: Origins of the U.S. Alliance System in Asia," *International Security* 34 (Winter 2009/1010): 158–196.

commitments across the region, the United States established itself as the leading power in East Asia. Second, the bilateral alliances served to bind the United States to the region, establishing fixed commitments and mechanisms that have increased certainty and predictability about the exercise of American power. With treaty-based alliance commitments and forward-deployed American forces, worry has been reduced in the region about American comings and goings. Third, the alliance ties have created channels of access for Japan and other security partners to Washington. In effect, the alliances have provided institutionalized "voice opportunities" for these countries. Finally, the U.S.–Japan alliance has played a more specific and crucial role—namely, it has allowed Japan to be secure without the necessity of becoming a traditional military power. Japan could rebuild and reenter the region without triggering dangerous security dilemmas with China and other states.[13]

For most of the last half century, the United States was also the leading economic partner to most of the countries in the region. In fact, from the outset, the bilateral security order has been intertwined with the evolution of regional economic relations. The United States facilitated Japanese economic reconstruction after the war and created markets for Japanese exports. The American security guarantee to its partners in East Asia provided a national security rationale for Japan to open its markets. Free trade helped cement the alliance, and in turn, the alliance helped settle economic disputes. The export-oriented development strategies of Japan and other Asian "tigers" depended on America's willingness to accept imports and huge trade deficits, which alliance ties made politically tolerable.[14]

While the American-led security order is still largely in place, economic relationships are shifting. The growth of China's economy and the expansion of its trade and investment ties within the region and worldwide are well known. As China, India, and other non-Western developing states have grown in recent decades, their shares of gross domestic product (GDP) have risen and America's share has declined—and these trends

[13]For accounts of the U.S.–Japan alliance and the building of postwar order in East Asia, see Richard Samuels, *Securing Japan: Tokyo's Grand Strategy and the Future of East Asia* (Ithaca, NY: Cornell University Press, 2007); Michael J. Green, *Japan's Reluctant Realism: Foreign Policy Challenges in an Era of Uncertain Power* (New York: Palgrave Macmillan, 2001); Kenneth Pyle, *The Japanese Question: Power and Purpose in a New Era* (Washington, DC: AEI Press, 1996); and Peter Katzenstein and Nobuo Okawara, "Japan and Asia-Pacific Security," in Peter J. Katzenstein and Allen Carlson, eds., *Rethinking Security in East Asia: Identity, Power, and Efficiency* (Stanford, CA: Stanford University Press, 2004), 97–130.

[14]See T.J. Pempel, *Regime Shift: Comparative Dynamics of the Japanese Political Economy* (Ithaca, NY: Cornell University Press, 1998).

seem destined to continue. According to Arvind Subramanian's much-discussed study, China, India, and several other market-oriented developing countries are fast emerging as the largest economies:

> According to the projections, between 2010 and 2039 emerging markets and developing economies will increase their share of world GDP (at market-based exchange rates) by a whopping 19 percentage points and by 15 percentage points at PPP [purchasing power parity] exchange rates . . . China's share of world GDP (in PPP dollars) will increase from 17 percent in 2010 to 24 percent in 2030, and India's share will increase from 5 to 10 percent. China's economy (in PPP dollars) will be more than twice that of the United States by 2030.[15]

Even if these trends are not realized, the future will surely be one in which the U.S. economy—and perhaps its larger basket of power assets—will be smaller relative to the rest of the world than it is today.[16] This remarkable Chinese economic growth has been achieved within the postwar open multilateral world economy led by the United States.

There are several features associated with the rise of China's economic dominance within the region. First, there is the rapid growth of the Chinese economy itself. Over the last two decades, China has been growing at near or at double-digit rates, although it has come down from these highs in recent years. A second feature is the expansion of trade and investment integration within the region. Extended production chains and assembly networks increasingly tie countries in the region together in complex forms of economic interdependence. Finally, a third feature of China's economic ascent is the growth of China's share of trade with countries in the region. Over the last two decades, most of the countries in the region that previously had the United States as their leading trade partner now have China as their leading trade partner.

As Figure 1 shows, most of the countries in East Asia over the last two decades have slowly shifted their trade orientation from the United States to China. While the United States was Japan's and South Korea's leading trade partner for many decades, China is now the leading trade partner of both. The same pattern holds for Australia, the Philippines, Thailand, and other countries in Southeast Asia. As Figure 2 shows, ASEAN as a group

[15]Arvind Subramanian, *Eclipse: Living in the Shadow of China's Economic Dominance* (Washington, DC: Peter Institute for International Economics, 2011), 81–83.

[16]For a more skeptical look at future Chinese growth—as well as the growth of other emerging market economies—see Ruchir Sharma, "The Ever-Emerging Markets: Why Economic Forecasts Fail," *Foreign Affairs*, January/February 2014, 52–56.

FIGURE 1

Merchandise Imports to China and the United States as a Percentage of Total Merchandise Imports

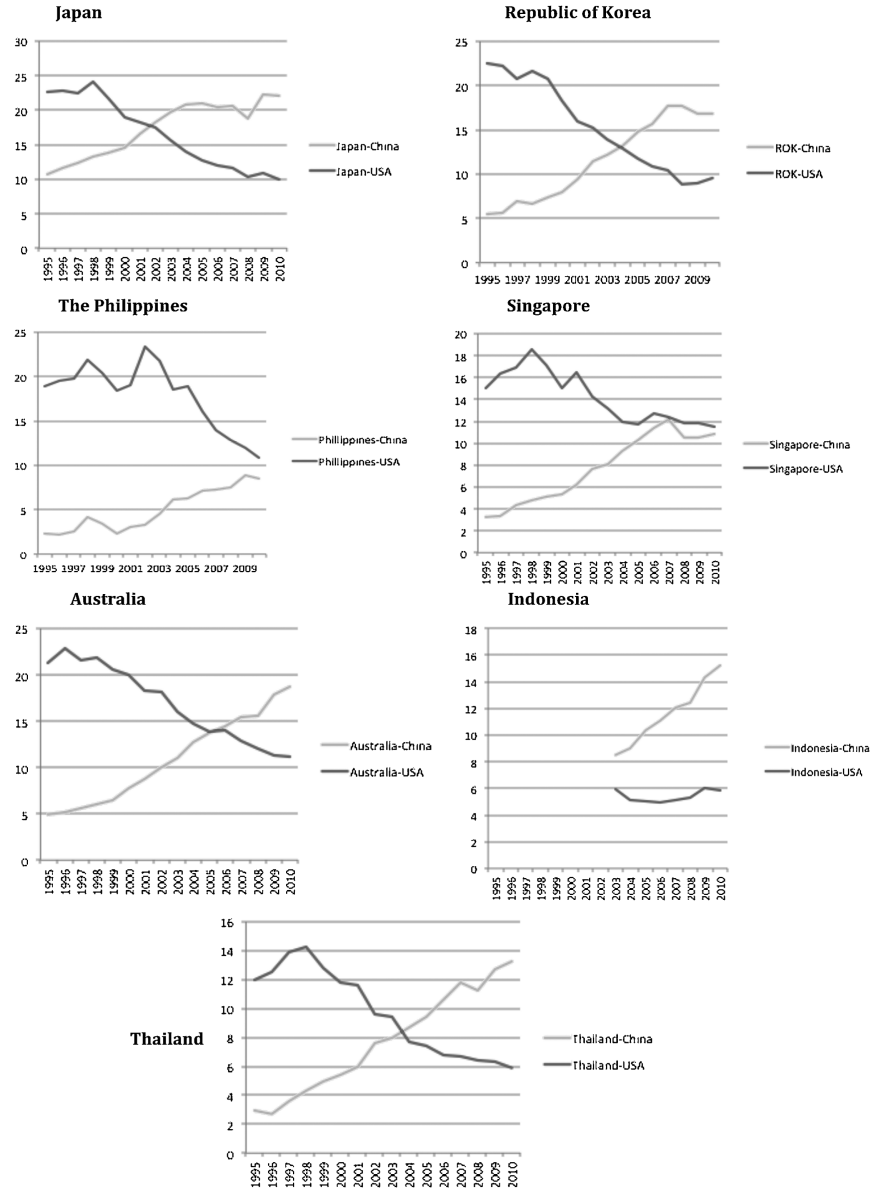
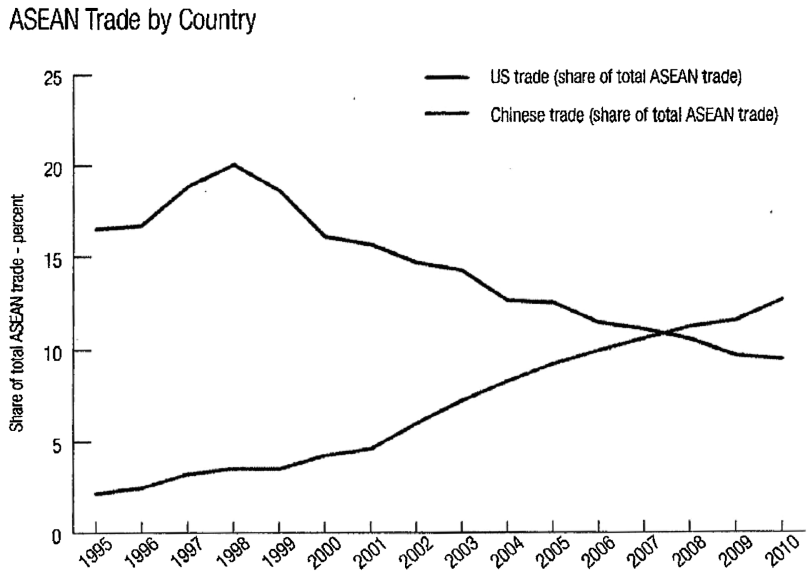


FIGURE 2
Total ASEAN Trade with China and the United States as a Percentage of Total ASEAN Trade



Source: ASEAN Statistics

has also made the transition in its trading patterns from the United States to China.

Out of these developments, the United States and China find themselves rival leaders in East Asia. Each sits at the top of a regional hierarchy. The United States still dominates the region in military capabilities and security relationships. Indeed, the rise of Chinese power has in fact increased the "demand" for American-led security assistance within the region. Yet if countries in the region look to the United States for security, they look to China for economic opportunity. China is a source of economic gain for most of East Asia. It is in this sense that countries are ambivalent about China. Its economy—and the trade and investment that flow from it—is propelling economic growth and integration within the region. But Chinese power is also—at least potentially—worrisome. Countries want the benefits that come from the rise of China. But they also want to guard against Chinese domination of the region. This, in turn, is a major reason America's extended alliance system in the region is welcomed.

The emerging dual hierarchy in East Asia presents each of these parties with opportunities and dilemmas. The United States has lost its full-scale hegemonic position in the region because of the economic rise of China. Yet it is in many respects more "indispensable" than ever before to many, if not most, countries in the region. China has increasing economic presence and political influence in the region, but it is uncertain how it can translate its

growing material capabilities into wider regional leadership. If China seeks to push the United States out of the region and establish itself as the full-scale regional hegemonic power, the pathway forward is not clear. And the middle states in East Asia also have opportunities and dilemmas. They are beneficiaries—up to some point—of competition between the United States and China for regional leadership. They get the benefits of security from the United States and economic opportunity from China. But these benefits flow most readily if there is a sort of "hegemonic stalemate" between the United States and China. A dual hierarchy in East Asia is attractive as long as it is stable. As such, the middle powers have a deep interest in the preservation of the dual hierarchy system, and so we can expect them to play a stabilizing role. We can look more closely at the choices and strategies of these states.

AMERICA'S HEGEMONIC CHOICES

The United States is in transition from its "unipolar" position within the global system and its singularly dominant position within East Asia. Globally and regionally, this movement is being propelled by unequal rates of growth and the diffusion of wealth and power. The distribution of economic activity and capabilities has spread from the advanced Western capitalist democracies outward to the wider world. China, India, Brazil, Mexico, South Africa, Indonesia, and South Korea are among the wide array of countries outside the West that have been growing rapidly and altering the global balance of power. At least in the economic realm, the unipolar era is giving way to a more decentralized and multipolar world system of markets and production. Within Asia, this global shift has been pushed forward by rapid Chinese economic growth and the wider growth and integration of the regional economy.

This global and regional shift is starting to have important implications for America's half-century hegemonic position within East Asia. The United States will be less fully hegemonic. As noted, countries in the region are increasingly orienting themselves toward China's trade and investment decisions. To the extent that hegemonic leadership is built on commanding economic capabilities, American leadership will weaken. The United States will not be in the economic position it once was to provide the full range of public goods—stabilizing markets, managing crises, and upholding multilateral economic openness. The full-scale character of American hegemonic leadership in East Asia will give way to more narrow or limited leadership, or at least leadership that is shared with China.

The shift in the distribution of economic capacities away from the United States will also lead to more uncertainty within the region about

America's capacities for remaining a hegemonic leader in political and security areas. There are two considerations here. One is simply a question of capacities for leadership. Can the United States continue to shoulder its security alliance burdens under conditions of relative economic decline? How will budget deficits and debt constrain American strategic choices in Asia? Even if American administrations give priority to U.S. security commitments in Asia—and makes cuts elsewhere—there will no doubt be questions within the region about how sustainable the U.S. extended alliance system will be over the coming decades. The other consideration is on the American side. The postwar U.S. hegemonic presence in the region was built on both security and economic bargains with states in the region. The United States provided security to partners and received economic benefits in return. Countries such as Japan accommodated themselves to Washington's economic agenda—such as holding U.S. dollars, adjusting exchange rates, pursuing accommodating macroeconomic policies, and so forth. In other words, America's security role in the region was at least partly attractive to the United States because it had this wider set of benefits. The hegemonic bargains between the United States and its junior partners involved both security and economic benefits and burdens. What happens when the economic components of the old hegemonic bargains fall away? How will this affect the American cost–benefit calculation? Will the United States be willing to maintain its leadership in providing security despite the erosion of its economic position in the region?

Under these conditions, the United States has a variety of choices and strategies. The most important question the United States faces will be whether to maintain its alliance commitments in East Asia. The "costs" and "benefits" of this American-led security system are hard to determine.[17] And it is not simply the actual costs and benefits that matter. It is also the political salience—and perceptions—of these costs and benefits in American foreign policy circles and domestic politics. There is widespread agreement within the U.S. foreign policy community that the forward-deployed alliance system in East Asia does advance American long-term strategic interests. The benefits exceed the costs. Moreover, in the context of a rising China, the alliance system may actually have increasing value to the United States. If countries in the region cannot balance growing Chinese power

[17]For an attempt to calculate net costs and benefits for the United States of its extended security system, see Stephen Brooks, G. John Ikenberry, and William Wohlforth, "Don't Come Home America: The Case against Retrenchment," *International Security* 37 (Winter 2012/2013): 7–51. For a view that emphasizes the growing domestic constraints and pressures on American international leadership and commitments, see Charles A. Kupchan and Peter L. Trubowitz, "Dead Center: The Demise of Liberal Internationalism in the United States," *International Security* 32 (Fall 2007): 7–44.

without American assistance, the alliance system becomes indispensable. The price of maintaining the alliance system in East Asia is more than offset by ensuring that the region is not completely dominated by China.[18] The United States may not receive all the economic gains from the alliance system that it once did. But to the extent that the United States wants to remain a dominant great power in Asia and prevent the realization of Chinese hegemonic aspirations in the region, the alliance system remains strategically valuable.

If this is so, the United States will increasingly find itself competing with China for influence and leadership within this dual hierarchical system. In doing so, the United States has a variety of strategies it can pursue. First, it will want to engage in "strategic reassurance" with its allies in the region. The "hub and spoke" alliance system is an American asset, so the United States does not want to let it erode. This is all the more important because of the background shifts in the distribution of economic capabilities and the power transition that is under way in Asia. States in the region that have been junior security partners with the United States for decades will want to be confident that the security commitments are credible and long lasting. With the rise of China, these countries will want to know that the United States "has their back." The forward-based American forces, the bilateral security agreements, the region-wide deployments, the military doctrines and exercises, active diplomacy and consultations, presidential speeches and state visits—these are all aspects of signaling strategic reassurance.[19]

There is an important question about how the United States can actually establish and reaffirm the credibility of its security commitments. Governments do come and go, strategic visions do change, and "agonizing reassessments" do occur. The Barack Obama administration has clearly attempted to engage in strategic reassurance with its announcement of a "strategic pivot" to Asia.[20] But questions persist in many capitals

[18]Arguably, America's most basic grand strategic goal since World War II has been to prevent Eurasia from being dominated by a hostile hegemonic power. Despite shifts in other costs and benefits, this goal probably remains the ultimate rationale for the maintenance of a United States security commitment to East Asia. See Melvyn Leffler, *A Preponderance of Power: National Security, the Truman Administration, and the Cold War* (Stanford, CA: Stanford University Press, 1991).

[19]See James Steinberg and Michael E. O'Hanlon, *Strategic Reassurance and Resolve: U.S.–China Relations in the Twenty-First Century* (Princeton, NJ: Princeton University Press, 2014).

[20]For an official statement describing the Obama administration's strategic pivot, see President Obama's speech to the Australian parliament, 17 November 2011, accessed at https://www.whitehouse.gov/the-press-office/2011/11/17/remarks-president-obama-australian-parliament, 16 October 2015. For Chinese reactions, see Keith B. Richburg, "U.S. Pivot to Asia Makes China Nervous," *Washington Post*, 16 November 2011.

throughout the region. Speeches and announcements are fine, but what about the longer term? Bases and fixed investments in the region would seem to be the most durable sorts of strategic commitments—and therefore the most credible. Military procurement and costly naval "platforms" that are the leading edge of American security commitments to the region also are indicators of long-term commitment. The durability of American security commitments might also be reflected in the prevailing consensus within the American foreign policy community over the importance of the alliances and maintaining a leading strategic presence in Asia. In contrast, those who are skeptical of America's "staying power" in Asia tend to look at looming budget and debt crises as well as political polarization and stalemate within the American government. Countries in East Asia that ponder the credibility of America's security commitments will also weight any uncertainties against their assessment of the dangers that might follow from being left alone in the region with a rising China. These countries may want the American security guarantee as a "hedge" against an aggressive China, but they may also seek to "hedge" against a future in which the United States simply cannot sustain its existing forward-deployed presence. Beyond these considerations, countries in the region might also have an incentive to express public uncertainty about America's strategic commitment, if only to create pressure on the United States to do more—spend, deploy, commit—to overcome that uncertainty.[21]

The second strategy that the United States can pursue is to seek to reduce the economic dependence of its allies on China. The shifts in trade and investment flows associated with the rise of China are deeply rooted in structural changes in the world economy. The United States cannot alter the overall direction of growth and integration of markets. But it can take steps to keep markets open, multilateral, and transregional. The worst outcome for the United States would be if China is not simply the dominant economy in Asia but if the regional economy becomes closed and tightly dependent on China. So the United States should champion a global "open door" policy. It should reaffirm its commitment to the multilateral trade system—embodied in the World Trade Organization—and universal standards for trade and investment. Within Asia, a patchwork of bilateral and mini-lateral trade agreements are tying China to its neighbors as well as tying other Asian countries together. The United States should seek to extend these agreements across the Pacific. The U.S.–Korean Free

[21]This is a point emphasized in Barry Posen, *Restraint: A New Foundation for U.S. Grand Strategy* (Ithaca, NY: Cornell University Press, 2014).

Trade Agreement is an example of this. The United States is also seeking bilateral trade agreements with Singapore, Australia, and other East Asian countries. Perhaps most importantly, the Trans-Pacific Partnership (TPP) trade agenda offers an opportunity to reinforce open and transregional flows of trade.[22] The overall goal is to undercut the growth of a small and inward-looking East Asian regional trade system with China as its hub. If China continues to grow rapidly, its economy will inevitably be at the center of the regional economy. But America's strategic objective should be to use trade agreements to bias the evolution of the region in an open and transpacific direction.

A third strategy that the United States might pursue is to seek political solidarity and cooperation among the democratic countries of Asia. Over the last several decades, countries across Asia have undergone transitions to liberal democracy. South Korea, Thailand, Indonesia, and the Philippines have all thrown off military or authoritarian rule and established democracies. Countries such as India, Australia, and New Zealand have been democratic from their founding. Taiwan has become a stable democracy. Altogether, there are 11 democracies across Asia. There is an opportunity in this fact for the United States. It can try to turn this "grouping" of democracies into something closer to a "community" of democracies. It can appeal to shared values and institutions so as to foster closer relations in areas of economic, politics, and security. The United States has long invoked shared democratic values in its foreign policy. During the late 1990s, the Bill Clinton administration worked with newer democracies in Eastern Europe, South America, and Asia to launch the Community of Democracies, a periodic gathering of foreign ministers of the world's democracies to discuss the problems and prospects of liberal democracy. There have also been calls by American foreign policy experts for the formation of more strategic cooperation among the world's democracies.[23] American officials have invoked shared democratic values in

[22]For overviews of the Trans-Pacific Partnership trade negotiations and their strategic implications for the United States, see Ellen Frost, "Strategic Implications of TPP: Answering the Crisis," *Asia Pacific Bulletin*, no. 220 (9 July 2013): 1–2; and Ian F. Ferguson, Mark A. McMinimy, and Brock R. Williams, "The Trans-Pacific Partnership (TPP): Negotiations and Issues for Congress" (Report R42694, Congressional Research Service, Washington, DC, 20 March 2015). For China's view of the Trans-Pacific Partnership, see Keith Bradsher, "Once Concerned, China Is Quiet about Trans-Pacific Trade Deal," *New York Times*, 28 April 2015.

[23]See John McCain's call for a League of Democracies (speech to the Hoover Institution, Stanford University, Stanford, CA, 2 May 2007); Ivo Daalder and James Lindsay, "Democracies of the World, Unite," *The American Interest*, January/February 2007, 5–15; and G. John Ikenberry and Anne-Marie Slaughter, *Forging a World of Liberty under Law* (Princeton, NJ: Woodrow Wilson School of Public and International Affairs, Princeton University, 2006).

speeches and diplomatic engagements within Asia. The idea of shared democratic values has been put at the center of America's ties with Japan, Australia, and, more recently, India. As the United States finds itself competing with China for regional leadership, there will be incentives to make appeals to democratic solidarity and search for ways to strengthen strategic cooperation among the democracies within Asia.

A fourth strategy that the United States will want to pursue is to expand the geopolitical space of Asia. Countries in the region are engaged in a debate about what constitutes Asia. Who is in and who is out? What are the boundaries of Asia? In this struggle over regional identity and organizational shape, the United States should seek the widest and most expansive definitions. A "small" Asia would be a region composed of China, Japan, South Korea, and the 10 ASEAN countries. This is a regional grouping in which China looms large. A wider Asia would be a region that also includes India, Australia, New Zealand, and the United States. This enlarged regional grouping is one in which there is more room for the United States and more opportunities for it to build coalitions. This wider regional formation also includes more democracies, thereby further reinforcing America's position. The debate over the membership of the East Asian Summit is in part a struggle over the question of Asia's geopolitical space. A region that is large, open, and inclusive works to America's advantage.

A final strategy is the diplomatic engagement of China, seeking to provide Beijing with incentives and tools to signal restraint and reassurance. The United States cannot be certain that China will want to integrate peacefully into the existing regional and global order. China does know that as its power grows, other countries in the region will worry about how that power will be used. The danger for China is that its rise will provoke an unintended backlash, generating hostility and counterbalancing rather than influence. This is a future that China will want to prevent, even if it does seek to use its growing power to reduce the American presence in the region. One way that powerful states can signal restraint and benign intentions to other states is by agreeing to join and operate within regional and global institutions. The United States did this after World War II as it sought to build a postwar order. By embedding itself in an array of economic and security institutions, the United States made its power less worrisome to others and attracted allies and partners.[24] This fifth strategy involves efforts by the United States to allow China to do the same

[24]See Ikenberry, *After Victory*.

thing. It involves efforts to open regional and global institutions to Chinese participation, allowing China opportunities to integrate and gain positions in multilateral institutions. It is a strategy of drawing China into the existing order, giving China opportunities to demonstrate their peaceful and status quo intentions.[25]

Taken together, the United States will have incentives to stay involved in the region and seek to prevent the establishment of a China-centered hegemonic order. The shifts in patterns of economic growth and trade and investment are deeply rooted. The United States will not be able to fully recoup its old position as hegemonic leader. But it still has assets—not least its entrenched alliance system and capacities for security assistance—that allow it to prevent a complete hegemonic transition. The United States will find itself moving—as it already is—to a role as a geopolitical counterweight to China. It will seek to provide middle states with options as they themselves hedge against the possibilities of an aggressive China. If this is the case, the United States will not get "pushed out of Asia." It will actually get pulled further into Asia, weaving itself into bilateral and multilateral political and security relationships. Neither China nor the United States ultimately will emerge as a comprehensive and fully dominant hegemonic state in the region. Instead, the region will evolve into a more mixed system of shared and competing hegemonic leaders and counterweight partnerships.

CHINA'S HEGEMONIC CHOICES

China's rapid economic growth is the leading edge of the power transition currently under way in East Asia. As China has grown, so, too, has East Asia. The region has prospered and become increasingly integrated. While the United States was once the leading trade partner for many of the countries in the region, now it is China. Japan, South Korea, Australia, and most of the ASEAN countries are all increasingly tied to China through trade and investment. The economic prospects for these countries increasingly hinge on China's economic prospects. This ongoing economic transition within East Asia is also unfolding at the global level. China recently passed Japan as the second-largest economy in the world, and if trends continue, it will pass the United States in the next decade. Both within East Asia and globally, the United States has now acquired an economic peer

[25]For China's evolving views on the strategic uses of international institutions, see Rosemary Foot and Andrew Walter, *China, the United States and Global Order* (New York: Cambridge University Press, 2011); and David Shambaugh, *China Goes Global: The Partial Power* (New York: Oxford University Press, 2013).

competitor. Within this evolving region, what are China's strategic options and choices?[26]

It is widely observed that China's most fundamental interest is to maintain the integrity of the Chinese state and to manage the country's rapid growth and modernization. Foreign policy and strategic interests in the region flow from this basic consideration. But beyond this, China surely has incentives to expand its political influence and leadership within the region. China will increasingly compete with the United States for hegemonic leadership. This is true for several reasons. First, China is, after all, the leading economy in the region, and so it will inevitably seek to translate its economic importance to the region into political importance. Chinese elites look at East Asia and see the United States as a declining power and China as a rising power. The future of East Asia is increasingly in China's hands.[27] Turning economic gains into political gains is an old and well-established goal of rising great powers. The United States pursued this goal as a rising great power within its region and later at the global level.

Second, China's incentive to turn growing economic power into political power also follows from China's changing geo-economic predicament. China's economy—including trade, raw materials, and energy—is increasingly dependent on the regional and global economy. This gives China the incentive to seek greater influence and control over its external environment. For example, China will no doubt be increasingly reluctant to depend on other states for the protection of the South Asian and Southeast Asian sea lanes, which are vital to the flow of trade. China now gets almost half of its oil from the Persian Gulf region. In a November 2014 speech at the Chinese Communist Party's Foreign Affairs Work Conference, Xi Jinping systematically emphasized the interconnectedness of China's development and security goals and the importance of a more activist foreign policy to advance national interests as a reflection of its growing strength.[28] This suggests that at the very least, China will be unsatisfied with a regional order in which it is simply a prominent economic power. It will want to see its political influence

---

[26]See Rosemary Foot, "Chinese Strategies in a U.S.-Hegemonic Global Order: Accommodating and Hedging," *International Affairs* 82 (January 2006): 77–94; and Wang Jisi, "China's Changing Role in Asia," in Kokubun Ryosei and Wang Jisi, eds., *The Rise of China and a Changing East Asian Order* (Tokyo: Japan Centre for International Exchange, 2004), 3–21.

[27]These views of Chinese elites are reported in Wang Jisi and Kenneth Lieberthal, *Addressing U.S.-China Strategic Distrust* (Washington, DC: Brookings Institution Press, 2012).

[28]Michael D. Swaine, "Xi Jinping's Address to the Central Conference on Work Relating to Foreign Affairs: Assessing and Advancing Major-Power Diplomacy with Chinese Characteristics," *China Leadership Monitor*, no. 46 (Spring 2015).

and authority rise in the region—and, in the process, inevitably see American political and strategic presence in the region recede.

Although this is true, it is less certain that China will see that its interests are advanced by the full retreat of the United States from East Asia. Certainly, some Chinese elites do look forward to a future in which China has complete hegemonic sway within the region. Some Chinese elites do see America's presence in East Asia as a sort of act of strategic trespassing by a revisionist power seeking to contain China's rightful influence.[29] In the "natural" state of regional affairs, the United States would remain in its own region. But there is no Chinese consensus on this. Indeed, even outside observers do not agree on whether China does—or will—ultimately seek to push the United States out of East Asia.[30]

There are at least three reasons why China may not have a strategic interest in pursuing the hardline policy of seeking the exit of the United States and its alliance system from Asia. One consideration is that the alliance system has played a role—at least in the past—in dampening security dilemma-driven conflict in the region. In particular, Chinese officials have quietly acknowledged, at least in the past, that the U.S.–Japan alliance has been instrumental in restraining Japanese military power—and this has enhanced Chinese security.[31] Without the alliance, Japan might find itself driven to become a more traditional military power, which would threaten China and create insecurities in the region that could ignite arms racing and instability. When China contemplates a region that is devoid of American-led alliances, it needs to consider the possibility that countries will not "flip" to China's side but rather simply become less secure and more hostile. Second, China also clearly benefits from the open world trading system. Indeed, China's growth is directly tied to the presence of a stable and open system of global trade. Again, the questions that China will need to answer are several. How will this open world economy fare if the American security system unravels and the United States retreats from Asia? If China initiates a dangerous geopolitical struggle for control of Asia, will it—even if it wins this struggle—bring the larger American-led multilateral economic

[29]Scott Snyder, "Sour Notes from China on the U.S. Rebalance to Asia," *Asia Unbound*, Council on Foreign Relations, 20 June 2014; Andrew Nathan and Andrew Scobell, "How China Sees America," *Foreign Affairs*, September/October 2012; and Lyle Goldstein, "How China Sees America's Moves in Asia: Worse than Containment," *National Interest*, 29 October 2014.

[30]See Aaron Friedberg, *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia* (New York: W.W. Norton, 2012); and Robert Sutter, *U.S.–Chinese Relations: Perilous Past, Pragmatic Present*, 2nd ed. (Lanham, MD: Rowman & Littlefield, 2013).

[31]See Thomas J. Christensen, "China, the U.S.–Japan Alliance, and the Security Dilemma in East Asia," *International Security* 23 (Spring 1999): 49–80.

system down with it? Finally, as a rising state, China has to worry about the problem of backlashes and counterbalancing responses to its growing power. In addressing this problem, the existing array of regional political institutions—which are at least partly sustained by America's strategic presence in the region—may also be useful to China. Specifically, these institutions—such as the East Asian Summit—provide tools for China to signal its own strategic restraint. If China does decide to try to "rise peacefully," it will need to reassure its neighbors and find ways to bind itself to the region.[32] It will need to demonstrate that it plans to work with and through regional and global rules and institutions. American retreat from Asia would jeopardize the stability of these reassurance-providing institutions.

Short of a hardline effort to push the United States out of Asia and establish a Chinese-centered regional order, China does have incentives to extend its influence in the region. There are three sorts of strategies. One strategy is to use the economic dependence of middle states in the region to foster political support. In this strategy, China simply uses its economy to build ties with neighbors. Traditionally, it has been done so quietly and without great strategic fanfare. Chinese companies do what they are doing today—they continue to trade and invest across the region. They invest in the infrastructure of other countries. They promote greater access to the Chinese market. In all these ways, countries become more tied to and dependent on the Chinese economy. Out of this complex, ongoing process, economic and political leaders in these countries make small adjustments that favor closer ties with Beijing. The region becomes increasingly integrated with—and therefore tied to—China.[33] The fate of importers and exports across the region is bound up with the success of China. In small steps and in a decentralized way, the political orientation of business and governmental elites gradually shifts in favor of close and amicable relations with Beijing. Moreover, Beijing has started to develop this strategy more

[32]On anticipations of China's peaceful rise, see Zheng Bijian, "China's 'Peaceful Rise' to Great Power Status," *Foreign Affairs*, September/October 2005; and Michael Yahuda, "The Evolving Asian Order: The Accommodation of Rising Chinese Power," in David L. Shambaugh, ed., *Power Shift: China and Asia's New Dynamics* (Berkeley: University of California Press, 2005), 347–362. See also, Thomas J. Christensen, *The China Challenge: Shaping the Choices of a Rising Power* (New York: W.W. Norton, 2015).

[33]See Patrick Cronin, "Chinese Regional Hegemony in Slow Motion," War on the Rocks, 18 May 2015, accessed at http://warontherocks.com/2015/05/chinese-regional-hegemony-in-slow-motion/, 16 October 2015. Fareed Zakaria provides a glimpse of this strategy: "A senior Southeast Asian diplomat explained to me that China is using money and pressure to 'suborn' countries in the region. He pointed out that aid is often carefully targeted, so that money in Malaysia, for example, is directed specifically to the state of Pahang, the political base of the prime minister. 'In Myanmar and Thailand, [the Chinese] make sure the generals get their share of the contracts,' he said. In smaller countries such as Cambodia and Laos, Chinese money dominates the economy." See Zakaria, "With an Absent United States, China Marches On," *Washington Post*, 2 July 2015.

systematically under the rubric of its periphery diplomacy initiative. It has been promoting several economic projects in Southeast, South, and Central Asia (and even Europe) through the concept of "One Belt, One Road," linking these regions together for shared development and economic growth. This includes plans to build transport infrastructure, deepen investment and trade, and strengthen financial cooperation.[34]

This strategy is based on the basic logic of market integration and the political impacts that flow from economic dependence and interdependence. As Albert Hirschman argues in his classic study of trade and national power, trade can be used as a political tool. Hirschman showed the ways in which interwar Germany used bilateral trade policies to extend political control over neighboring states. When small countries find themselves in dependent trade relations with larger states, there is an "influence effect."[35] Countries in this situation are less willing to challenge the leading state. Economic dependence brings—one way or another—political dependence. For example, China's use of infrastructure and development assistance in neighboring countries—as well as in Africa and Latin America—is clearly tied to an agenda of building political support within these countries for strong and stable ties with China.

Of course, the growing size of the Chinese economy and the expansion of its trade and investment ties worldwide will have an "influence effect" whether or not China's government wants one. It is inevitable that countries will adjust to a bigger and stronger Chinese economy through the thousands of business and political decisions that are made each day.[36] The question is about the strategic significance of these trade and investment ties. Do countries feel sufficiently dependent on China to bend politically toward China and away from the United States? It is this prospect that has led the United States to seek to reinforce transpacific trade ties. The more open, global, and diversified trade and investment flows are in Asia, the less political leverage China can wield.

Another strategy is to build countercoalitions. China could look for allies and build regional institutions that favor its interests. China has already

---

[34]See, for example, Michael D. Swaine, "Chinese Views and Commentary on Periphery Diplomacy," *China Leadership Monitor*, no. 44 (Spring 2014). For background, see "Chronology of China's 'Belt and Road' Initiatives," Xinhua, 5 February 2015.

[35]Albert O. Hirschman, *National Power and the Structure of International Trade* (Berkeley: University of California Press, 1980 [1945]). As Hirschman argues, it is not the level of trade between the two countries that is important but the alternatives each has (or does not have) and the asymmetries of dependence.

[36]In effect, order is shaped by the multiple and independent adjustments that smaller and weaker states make to the looming reality of a powerful state. These adjustments may be small or large, incremental or strategic. But their sum total generates patterns of relations that over time can give shape to regional order.

been pursuing the latter approach, seen most clearly in its leadership of the Shanghai Cooperation Organization (SCO). China, together with Russia, has used this grouping of Eurasian authoritarian states to voice views on regional and global issues. The SCO was originally established in 1996 by a group of five countries—China, Russia, and newly independent Kazakhstan, Tajikistan, and Kyrgyzstan—to focus on the relaxation of border tensions. In 2001, Uzbekistan joined the group. China and Russia have cooperated within and outside this group to oppose Western policies toward Iran, missile defense, and American-led interventionism.[37] As the United States looks for ways to counterbalance growing Chinese economic and political clout in the region, China will be also looking for its own strategic partnerships and organizational platforms to project authority and influence. China has traditionally favored organizations such as ASEAN Plus Three that allow it to exert greater political and economic influence over those such as the East Asian Summit that include more regional players. In late 2014, Beijing spearheaded the launch of the Asian Infrastructure Investment Bank (AIIB), which does not involve the United States. Signed by more than 57 countries so far, the AIIB is portrayed as an alternative to Western-dominated institutions such as the Asian Development Bank and World Bank. China is funding the bulk of the $50 million in starting capital, while the Asian Development Bank has traditionally been dominated by Japan.[38] At the same time, Beijing is taking pains to emphasize the positive-sum nature of its vision for regional cooperative architecture, as opposed to traditional U.S. alliance structures.[39]

A final Chinese strategy is to use its economic strength to realize regional military dominance. As noted earlier, one U.S. strategy is to go after China's strength (that is, economic dominance) by trying to reduce economic dependence of other states on China. It follows that China should try to target America's strength (security dominance) by building up its own military capacities and attempt to bring middle states into its security orbit. China is already doing this through building military capacities that project power into the region and undermine the credibility of the U.S. ability to protect its allies.[40] Beyond this, China can create "facts in the water"—particularly in the South China Sea—that are designed to create a sense of inevitability about China's control and military superiority, giving

[37]See William C. Martel, "An Authoritarian Axis Rising?," *The Diplomat*, 29 June 2012.
[38]Japan is not a signatory to the AIIB, but despite U.S. pressure, South Korea and Australia have joined the bank. See "Why China Is Creating a New 'World Bank' for Asia," *The Economist*, 11 November 2014.
[39]Swaine, "Xi Jinping's Address to the Central Conference."
[40]For a discussion of this Chinese strategy, see Aaron Friedberg, "Beyond Air-Sea Battle: The Debate on U.S. Military Strategy in Asia," *Adelphi Papers*, no. 444 (London: IISS, 2014).

it the political influence that it seeks. In smaller and incremental ways, the strategy is to make middle states think twice about the dependability of the American security guarantees. China's calculation is that the more there is uncertainty about the United States, these middle states will want to hedge the American security commitment with various sorts of security ties to China. Middle states in Asia might eventually decide to end their alliance relations with the United States in favor of regional-based security arrangements or even alliance ties to Beijing. The danger of this strategy for China is that it will likely produce a counterbalancing backlash, leading middle states to strengthen alliance ties with the United States.

THE STRATEGIC CHOICES OF MIDDLE STATES

The countries of East Asia increasingly find themselves situated within two hierarchical orders—an American-led security order and a Chinese-led economic order. The United States is a source of stability and protection, but the durability of the American commitment to underwrite regional security remains uncertain—and perhaps increasingly uncertain. China is a source of economic opportunity, but it is also a growing power in the region—and there is reason to worry that a more powerful China might dominate and bully the region. In this complex regional setting, what sorts of strategies will these middle states want to pursue?

First and foremost, the middle states of East Asia will not want to make a grand strategic choice between the United States and China. In some ways, the dual hierarchy is an ideal strategic setting. A consolidated hierarchical order—one in which a single great power dominates the region across economic, political, and security domains—gives that leading state a near monopoly on power and control. A region with two hegemonic states that are competing for political support and cooperation gives weaker and secondary states more options. Hegemonic leadership is diversified. There is more space for maneuvering and bargaining. The United States and China find it necessary to compete for leadership—and, presumably, this gives them incentives to provide better "terms" for weaker and secondary states.[41] Neither hegemonic state will want to be so dominating and

[41]Competitive bidding by the United States and China for friends and influence within East Asia may only be beginning. In the aftermath of the Typhoon Haiyan disaster in the Philippines, the United States did respond quickly, in part with an eye on its leadership position in the region, or what one report described as a "not-so-subtle dose of one-upmanship directed at the region's fast-rising power, China." While China initially did not respond with lavish aid, seeking instead to send a signal of displeasure to the Philippines over ongoing island disputes in the South China Sea, it subsequently sent its hospital ship (the Peace Ark) after facing international criticism. See Jane Perlez, "China Offers Hospital Ship to the Philippines," *New York Times*, 19 November 2013.

aggressive that it forces the middle states into the camp of the other leading state.[42]

The specific configuration of the dual hierarchy—with China as the economic leader and the United States as the security leader—is also attractive. The reversal of these functional roles would be less so. As it is, the United States is "offshore," and this places some limits on its ability to use its military forces as a tool of domination. With the United States as an out-of-area great power, the countries in the region are more worried about American abandonment than domination. At the same time, being economically tied to China generates benefits, particularly for industrialized countries that specialize in complementary (that is, capital intensive) activities vis-à-vis China, but the political influence that comes with economic interdependence is less immediate or direct.

So the middle countries in East Asia do not want to rock the boat. They have an interest in the stability and preservation of the dual hierarchy. It is an arrangement that provides both security and economic gain. But stability requires an ongoing American security commitment and Chinese restraint. So they must cope with the uncertainty of both American and Chinese strategic positions in the region. What are their options and strategies?

As these middle countries face a rising China, will they pursue a strategy of balancing or bandwagoning? Will they resist a rising China or ally themselves with it? Presumably, the choice depends in part on what China and the United States do. If China becomes a truly aggressive and belligerent rising power, countries in the region will be more likely to pull back from it and seek the protection of a counterbalancing coalition, most likely led by the United States. Alternatively, if the United States reduces or withdraws from its position as regional security provider, or if its security commitments become less credible, middle countries might feel compelled to accommodate themselves to a more powerful China.[43]

---

[42]A consolidated hierarchical order in East Asia would also likely be costly to transition into. If the United States were to reestablish hegemonic dominance, it would mean that the Chinese economy had painfully collapsed. If China were to establish consolidated dominance, it would mean that there had been a costly military conflict or at least that China had massively expanded its sovereign reach and imposed unpopular rules.

[43]Some scholars argue that these states are already appeasing or bandwagoning with China. See David Kang, *China Rising: Peace, Power and Order in East Asia* (New York: Columbia University Press, 2007); and Robert Ross, "Balance of Power Politics and the Rise of China: Accommodation and Balancing in East Asia," *Security Studies* 15 (July/September 2006): 355–395.

Short of these grand alternatives, middle states appear to be pursuing more mixed strategies of engagement and hedging.[44] They are both engaging China and guarding against bad outcomes.[45] Engagement means in the first instance, simply opening themselves up to expanded trade and investment with China. After all, a rising China has stimulated growth and prosperity across East Asia. So these countries want to continue to gain the benefits of expanding trade and investment with China. In effect, middle countries are seeking to get "inside" the Chinese economic miracle and become mutual beneficiaries. Engagement has its rewards. South Korea, Japan, Australia, and ASEAN countries have all pursued various bilateral trade and investment agreements with China. Despite U.S. opposition, the United Kingdom decided to join the China-led AIIB, and this move has encouraged other U.S. allies, such as South Korea and Australia, to follow suit.[46]

Aside from the expected economic gains, middle states are also pursuing expanded trade and investment ties with China so as to bind China to the region. Economic interdependence is a sort of tool for binding countries together so as to encourage restraint and accommodation. Steve Chan argues that this motivation runs throughout the region. Countries are pursuing greater economic integration as a way of building trust, commitment, and cooperation. As Steve Chan argues, "I interpret the burgeoning commercial and financial ties among the East Asian countries as a form of credible commitment to cooperate and as a harbinger of such cooperation

[44]As Michael J. Green observes, "there is no consistent trend that international relations theorists might isolate to predict whether the region will ultimately balance against Chinese power or bandwagon with Beijing. The reality is that almost every regional power is doing some aspect of both today." See Green, "Meet the Neighbors: Regional Responses to China's Rise," in Kurt M. Campbell and Willow Darsie, eds., *China's March on the 21st Century: A Report of the Aspen Strategy Group* (Washington, DC: Aspen Strategy Group, 2007), 97–105.

[45]On South Korea, see Jae Ho Chung, *Between Ally and Partner: Korea–China Relations and the United States* (New York: Columbia University Press), 2007; Han Suk-Hee, "South Korea Seeks to Balance Relations with China and the United States," Council on Foreign Relations, November 2012, accessed at http://www.cfr.org/south-korea/south-korea-seeks-balance-relations-china-united-states/p29447, 16 October 2015; and Jennifer Lind, "Between Giants: South Korea and the U.S.–China Rivalry," *The Atlantic*, 19 July 2012. On Japan, see Mike M. Mochizuki, "Japan's Shifting Strategy toward the Rise of China," *Journal of Strategic Studies* 30 (2007): 739–776. On Australia, see Hugh White, "Australia's Choice," *Foreign Affairs*, 4 September 2013, accessed at https://www.foreignaffairs.com/articles/australia/2013-09-04/australias-choice, 18 October 2015.

[46]Jane Perlez, "With Plan to Join China-Led Bank, Britain Opens Door for Others," *New York Times*, 13 March 2015; Steven Erlanger and Jane Perlez, "British Leader Diverges from U.S. on China Policy and Military Spending," *New York Times*, 13 March 2015; and Tom Mitchell, "China-Led AIIB Attracts Raft of Applicants," *Financial Times*, 2 April 2015.

in the future."[47] The expansion of trade and financial linkages between countries in the region gives governments a way to signal restraint and commitment. It also creates domestic constituencies—so-called vested interests—that support ongoing cooperation, constituencies which would oppose the escalation of conflict during a crisis.

Another strategy of engaging China involves attempts to draw China into regional institutions. A China that is embedded within regional institutions—economic, political, and security—will be more tied down and restrained. China operates within rather than outside regional cooperative organizations. To the extent that China wants to signal restraint and its "peaceful rise" intentions, it, too, will want to expand its participation in regional institutions. This was America's strategy of making its power acceptable to European and East Asian countries after World War II. The United States tied itself to these countries in a variety of regional and global economic and security institutions. In doing so, the United States bound itself to allies and partners. It made its power more predictable and easier for other countries to engage. This, in turn, made other countries more willing to work with the United States rather than resist it.[48] In Asia, institutions such as ASEAN Plus Three, Asia-Pacific Economic Cooperation (APEC), and the East Asian Summit provide mechanisms for China to bind itself to its neighbors and thereby reassure them. By reaching out to China and inviting it into regional organizations, middle states are creating opportunities for China to signal restraint and reassurance.

Just as middle states seek to engage China, they are also pursuing hedging strategies.[49] The most obvious strategy is to deepen their security ties to the United States. Many of the countries of East Asia have formal

---

[47]Steve Chan, *Looking for Balance: China, the United States, and Power Balancing in East Asia* (Stanford, CA: Stanford University Press, 2012), 5. This strategic logic for trade with China may well be secondary to the purely commercial motive of making money. See Darren Lim and Zack Cooper, "Reassessing Hedging: The Logic of Alignment in East Asia," *Security Studies* (forthcoming), who argue that costless activities (such as economic engagement) should not be considered in characterizing the security alignment choices of states, and once they are excluded, it is clear that most states are balancing China.

[48]This argument is developed in Ikenberry, *After Victory*.

[49]See, for example, Christopher W. Hughes, "China's Military Modernization: U.S. Allies and Partners in Northeast Asia," in Ashley J. Tellis, ed., *Strategic Asia 2012–13: Regional Impact and Responses* (Seattle, WA: National Bureau for Asian Research, 2012), 197–239; and Sukhee Han, "The Rise of China, Power Transition and Korea's Strategic Hedging" (paper presented at the conference on "China's Future: Pitfalls, Prospects, and the Implications for ASEAN and the World," University of Malaya, 5–6 May 2009), accessed at http://ics.um.edu.my/images/ics/may2009/hansh.pdf, 16 October 2015. For an overview of various country strategies, see Adam P. Liff and G. John Ikenberry, "Racing Toward Tragedy? China's Rise, Military Competition in the Asia-Pacific, and the Security Dilemma," *International Security* 39 (Fall 2014): 52–91. For a comparison of Japan and South Korea, see Audrye Wong, "Comparing Japanese and South Korean Strategies toward China and the United States: All Politics Is Local," *Asian Survey* (forthcoming).

security ties to the United States. All of these countries have in recent years sought to reaffirm and deepen those alliances ties.[50] These arrangements have included a mix of military exchanges, joint training or patrols, and arms sales. The United States, in turn, has been equally solicitous of its East Asian alliance partners. As noted earlier, the Obama administration's much-advertised "pivot" had as its rationale the reaffirmation and expansion of the American security commitment to these alliances—and to the region as a whole. Even some countries that do not have formal security ties with the United States, such as Vietnam and India, have also welcomed the American forward-deployed military presence in the region as well as strengthened security cooperation with U.S. allies.[51] In each case, East Asian countries have affirmed American security ties while, at the same time, remaining on cordial terms with China. In most countries, the American "hub and spoke" security system is seen as a vital counterweight to rising Chinese power. It is not an explicit attempt to participate in a balancing coalition against China. Rather, it is a calculation that the American-led security counterweight to China—cautiously undertaken—is a stabilizing force in the region. And it is in the context of this stable and restrained geopolitical setting that these countries can engage and cooperate with China.

There are two features of this American-led security system that make it less "provocative" or "offensive" in the eyes of China and middle states in the region. One is simply that the alliance system has been around for many decades. It is part of the old status quo and predated the rise of China. So it is not easily seen as a new effort organized to contain or confront China. China is growing up within a region with this alliance system—and not the other way around. The second feature of this alliance system that makes it less provocative or offensive is that it is organized as an array of bilateral

[50]Seth Robson, "Japan, Australia Look to Marines While Beefing Up Amphibious Forces," *Stars and Stripes*, 27 March 2014; "Joint Communiqué of the 42nd U.S.-ROK Security Consultative Meeting," 8 October 2010, accessed at http://www.defense.gov/Portals/1/Documents/pubs/46th_SCM_Joint_Communique.pdf, 16 October 2015; "S. Korea Vows Stronger Alliance in Obama's Second Term," Yonhap News Agency, 22 January 2013; U.S. Department of State, "Joint Statement of the Security Consultative Committee: Toward a More Robust Alliance and Greater Shared Responsibility," 3 October 2013, accessed at http://www.state.gov/r/pa/prs/ps/2013/10/215070.htm, 16 October 2015; and U.S. Department of State, "Australia-United States Ministerial Consultations (AUSMIN 2011) Joint Communiqué," 15 September 2011, accessed at http://www.state.gov/r/pa/prs/ps/2011/09/172517.htm, 16 October 2015.

[51]See, for example, Carlyle Thayer, "U.S.–Vietnam Defence Relations: Convergence Not Congruence," *China Policy Institute Blog*, 12 March 2014, accessed at https://blogs.nottingham.ac.uk/chinapolicyinstitute/2014/03/12/u-s-vietnam-defence-relations-convergence-not-congruence/, 18 October 2015; and Jon Grevatt, "Japan, Vietnam Pave Way for Further Defence Collaboration," *Jane's Defence Weekly*, 23 April 2014.

parts—it is not a unified and multilateral alliance directed at China. The "hub and spoke" system looks less like an effort to "gang up" on China than if it were a regional security organization such as NATO. The United States has certainly sought to cast these bilateral pacts as defensive. This was most clearly seen in the 1990s in regard to the U.S.–Japan alliance. During the mid-1990s, President Clinton and Prime Minister Hashimoto Ryutaro affirmed the importance of the alliance, arguing that its new post–Cold War role was to provide stability in the region. It was not an alliance directed against another great power—it was a regional public good, or what the two leaders called the "cornerstone" of peace and prosperity in Asia.[52] In a similar way, countries in the region are largely attempting to hedge against an aggressive and revisionist China but trying to do so in a way that does not inflame and provoke China.[53]

A slightly more forward-leaning strategy of alliance building is hinted at by some states in the region. This involves the building of stronger planning and operational ties among the various "spokes" in the "hub and spoke" alliance system. For example, Japan and South Korea have come close to announcing formal cooperative security ties. Over the years, Japan and South Korea have joined the United States in trilateral military consultations, but these collaborative steps have waxed and waned.[54] Although previous domestic political setbacks prevented the signing of a formal bilateral security agreement (General Security of Military Information Agreement and Acquisition) between Seoul and Tokyo, the two countries and Washington recently signed a three-way memorandum on the exchange of important military intelligence, focusing for now on the North Korean nuclear and missile program.[55] North Korea's continuing provocations and China's growing assertiveness are widely seen as the

[52]See John M. Broder, "Leaders Reaffirm U.S. Military Role in Japan," *Los Angeles Times*, 17 April 1996. For official U.S. thinking on regional order in Asia during the mid-1990s, see the co-called Nye Report. U.S. Department of Defense, *United States Security Strategy for the East Asia-Pacific Region* (Washington, DC: Government Printing Office, 1995); and Joseph S. Nye, Jr., "The Case for Deep Engagement," *Foreign Affairs*, (July/August 1995): 90–102.

[53]Philip C. Saunders, "The U.S. Isn't Trying to Contain China," *Foreign Policy*, 28 August 2013, accessed at http://foreignpolicy.com/2013/08/23/the-u-s-isnt-trying-to-contain-china/, 18 October 2015; Denny Roy, "Southeast Asia and China: Balancing or Bandwagoning?," *Contemporary Southeast Asia* 27 (August 2005): 305–322; and Sukhee Han, "From Engagement to Hedging: South Korea's New China Policy," *Korean Journal of Defense Analysis* 20 (2008): 335–351.

[54]See Victor Cha, *Alignment Despite Antagonism: The United States-Japan-Korea Security Triangle* (Stanford, CA: Stanford University Press, 2000).

[55]"Japan, South Korea, U.S. Ink Memorandum to Share Info on North Korea," *Nikkei Asian Review*, 29 December 2014; and "Japan Says Close to Deal with South Korea and U.S. on North Korea Defense," Reuters, 26 December 2014.

impetus for this attempt at closer military cooperation.[56] Other bilateral, trilateral, and multilateral military dialogues and exercises, pursued by Japan, Korea, Australia, India, and the United States, also reflect worries and uncertainties associated with the rise of Chinese military power.[57]

Finally, countries in the region are pursuing various sorts of soft political efforts to strengthen regional counterweights in the face of a rising China. Just at the United States has called for stronger ties among the democracies, so have other countries in the region. For example, former Japanese foreign minister Aso Taro articulated the idea of an "arc of freedom and prosperity" within Asia, a swath of emerging democracies running along the edge of the Eurasian continent that Japan would nurture and lead.[58] While Aso's "value-based" diplomacy did not have great impact, Japan has continued to seek the high ground toward China by embracing the values of democracy and human rights. As Michael Green notes, Japan and China are "engaged in an ideational competition to define the content of East Asian integration. Where China is pushing a broad agenda premised on the principle of noninterference in internal affairs, Japan has begun pushing for a 'principled' multilateralism based on the advancement of democracy, rule of law, and good governance. Japan has also pulled India, Australia, and New Zealand into the new East Asia Summit to reinforce this democratic agenda and Tokyo continues to welcome American participation."[59] With Washington's encouragement, there has been further strengthening of partnerships among these like-minded nations, across the security, economic, and diplomatic spheres.[60]

CONCLUSIONS

Regional order in East Asia is in transition, away from a U.S.-led hegemonic order to something more complex. It will not be a simple transition from American hegemony to Chinese hegemony. The dual hierarchy that

---

[56]"S. Korea, U.S., Japan Seek Security Ties," *Korea Herald*, 14 June 2012.

[57]See, for example, "China Takes Exception to U.S.-Japan-South Korea Military Exercises," *Hani*, 23 June 2012; and Kosuke Takahashi, "Largest Joint U.S.–Japan Naval Drills Start," *Jane's Defence Weekly*, 3 December 2010.

[58]Prime Minister Aso introduced his idea of promoting an "arc of freedom and prosperity" in a 2006 speech at the Japan Institute for International Affairs.

[59]Green, "Meet the Neighbors: Regional Responses to China's Rise."

[60]See Carol Lee and Rob Taylor, "Leaders of U.S., Japan, Australia Deepen Ties on G-20 Sidelines," *Wall Street Journal*, 16 November 2014; Shiro Armstrong, "The New Australia–Japan Relationship," *East Asia Forum*, 6 July 2014; Isabel Reynolds and Maiko Takahashi, "Japan and India Pledge to Strengthen Ties as China Rises," Bloomberg, 1 September 2014; Keshav Kelkar and Marc McCrum, "Time for India to Punch above Its Weight with Japan," *East Asia Forum*, 5 November 2014; and William Tow and Tomonori Yoshizaki, eds., *Beyond the Hub and Spokes: Australia–Japan Security Cooperation* (Tokyo: National Institute for Defense Studies, 2014).

today increasingly marks the region has the potential to be quite durable. No one hegemonic state will be able to dominate the region. With the rise of China and the ongoing economic integration of the region, the United States cannot play its old hegemonic role. And if China tries to "push" itself into a position of leading regional military power, the weaker and secondary countries will try to "pull" the United States ever more tightly into the region. The region will continue to bear the markings of both hegemony and the balance of power. The United States and China will each offer the region "services" that states want. But they will also act as counterweights to each other.

The complexity of regional order is reflected in the strategies that states are pursuing. The United States, China, and the middle states are all pursuing mixed strategies of engagement and hedging. The United States is leading the region in building a counterweight response to the rise of China. But it is also engaging China and seeking to draw China into greater regional cooperation. China is seeking to expand its regional influence and leadership. But it is also engaging weaker and secondary states bilaterally and within regional institutions. The middle states are also pursuing a mix of strategies across a spectrum between balancing and bandwagoning. In a transforming region marked by uncertainty, these mixed strategies make sense. Each state wants to guard against its own version of a "worst-case" outcome, one in which great power rivalry and security competition fragment the region and trigger escalating conflict. States in the region have incentives to hedge against this outcome. But states also know that they make this outcome more likely if they go ahead and pursue hardline balancing strategies, particularly toward China. Middle states also face a collective action problem when they think about pursuing an outright counterbalancing policy toward China. If other states do not follow their lead, they will be punished by China. So no state has an incentive to "go all in" unless a large group of states also go all in. And no state wants to go all in if there is still an opportunity for a more cooperative outcome. Hence, there is an incentive for mixed strategies and quiet hedging.

Taken together, there are three major factors that mute or restrain a region-wide movement to full-scale balance of power rivalry. First, as this article notes, middle states in the region find themselves tied to both the United States and China. They rely on the United States for security and providing a general counterweight to China, and they are increasingly tied to China for trade and investment. They gain from both relationships. This places constraints on the United States. The United States will not find its regional allies wanting to pursue a full-scale balancing strategy against China. They do not want to be placed in a situation in which they need to

choose between the Eagle and the Dragon. So the United States will have an incentive to pursue a "not too hot and not too cold" strategy toward China. It will want to show that it takes the security of middle states seriously. It will want to show that it "has their back." But—absent aggressive and confrontational moves by China—it will not want to be too aggressive or confrontational toward China. Countries in the region will not want to join a crusade. They will want steady and credible American security commitments. These considerations suggest that the United States will not want to organize its presence in Asia simply around "balancing" China. It will need a more complex strategy of engagement, restraint, commitment, and the building of counterweights to China.

The second source of restraint on balance of power dynamics involves China's strategic dilemma. If China's foreign policy toward the region gets too aggressive and belligerent, it will generate a backlash. This is the classic problem of a rising great power. Through economic growth and military modernization, China is getting more powerful. Because it is such a large country, it is becoming more powerful simply by growing and modernizing. The strategic dilemma is that this growing power makes countries in the region nervous. China—like rising great powers in the past—faces the problem of "self-encirclement." This is the strategic dilemma that faced post-Bismarck Germany at the beginning of the twentieth century. It could not grow powerful without triggering a counterreaction. For a time, Bismarck was able to reassure Germany's neighbors through regional diplomacy. But subsequent Germany leaders were not as skillful or resolute in their efforts to reassure and signal restraint. China seems to understand this problem, and its proclamations of "peaceful rise" are in part an effort by China to signal its peaceful intentions. But it has also seen what the backlash might look like. In recent years, China has made a series of actions that countries in the region saw as aggressive. These included pronouncements about Chinese claims in the South China Sea as well as clashes with Vietnam and the Philippines over disputed areas, a harsh response to the Senkaku/Diaoyu Islands dispute with Japan, and supportive policies toward North Korea after the latter sunk a Republic of Korea navy vessel and shelled a South Korean island in 2010. The response to each of these crises was a reaffirmation and tightening of alliance ties between the frontline states and the United States. So China has incentives to moderate its ambitions and look for ways to signal restraint and reassurance.

Finally, the United States and China are mutually interdependent and mutually vulnerable in a wide array of policy and problem areas. These areas include international finance, world trade, global warming, energy security, nuclear terrorism, and so forth. The United States and China are

not simply rival regional powers. They are both leading global powers with a vast set of interests and large policy portfolios. Their rivalry may grow with the rise of Chinese power—but so, too, will their mutual interests. Under conditions of rising economic and security interdependence, the two countries should have more and more incentives to cooperate to stabilize and manage their overlapping strategic environments. Neither country can be completely secure through policies of its own. Each will increasingly rely on the other to act in ways that increase the security and wellbeing of both countries. Obviously, the mere presence of opportunities for mutual gain through cooperation does not ensure that the two countries will seize these opportunities. The United States and China will indeed find themselves competing for leadership and influence within Asia and globally. But they will have incentives to do so within parameters of mutual restraint.*

*For helpful comments and suggestions, the author thanks Rosemary Foot, Adam Liff, Darren Lim, and Audrey Wong as well as participants in the international relations seminar at Oxford University. The idea for this paper emerged from conversations with Paul Kennedy, who I thank for his friendship and intellectual inspiration. The East-West Center provided generous support for the research and writing of this paper.