

## **Hedging against Uncertain Future: The Response of East Asian Secondary Powers to Rising China**

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Paper Prepared for the International Political Science Association XXII World Congress of Political Science,  
Madrid, Spain, July 8-12, 2012.

### **Abstract**

How do small states in East Asia cope with rising China? What factors determine these states' foreign policy toward their ascending neighbor? Amid the rapid power shift in East Asia, a search for proper strategy has been a major concern for not only big powers but also secondary states in the region. Exploring various types of responses of East Asian states to China's rise and factors that influence strategic calculations of these countries, this paper argues that small powers neighboring China are hedging with complex mix of strategies to secure and promote their independence and interests. Here, the key determinants of neighboring countries' strategy toward rising China include strategic uncertainty, China's engagement policy, US policy toward East Asia, and territorial disputes.

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Despite China's cautious handling of regional affairs, its growing prowess raises considerable suspicions across East Asia. Against this backdrop, not only great powers but also secondary states in the region are pondering over best coping strategies. The two recent incidents vividly illustrate why secondary powers in East Asia cannot relieve but fret about China's ascendance. In 2010 ASEAN Regional Forum (ARF) Chinese Foreign Minister Yang Jiechi told his Southeast Asian counterparts complaining about China's territorial claims in South China Sea that "China is a big country and other countries are small countries, and that's just a fact." (*The Economist*, April 7, 2012) More recently, a much clearer warning has been given. On May 15, 2012, amid heated confrontation over disputed Scarborough Shoal with the Philippines, Chinese State Councilor Dai Bingguo sternly warned that "smaller countries should not bully larger countries." (*China Daily Mail*, May 16, 2012)

How are small states in East Asia coping with rising China? And what factors determine those states' foreign policy toward their ascending neighbor? Considering patterns of East Asian states' responses and factors behind strategies, this paper argues that small powers in East Asia are actively employing hedging strategies to the ascendance of China. Among various factors, regional strategic uncertainty, China's active engagement, US policy toward East Asia, territorial disputes, and domestic politics are key determinants of secondary powers' strategy toward rising China.

The organization of the paper is as follows. The first section briefly reviews previous literatures on East Asian regional responses to ascending China. The second section provides theoretical frameworks on minor powers' behavior in international politics and factors which affect their strategies, especially in time of regional power transition. The Third section observes how secondary states in East Asia respond to China's rise followed by major factors and calculations determined these states' strategic choices. The fifth section concludes with suggested implications of this analysis for East Asian regional order.

## **ASSESSING EAST ASIAN RESPONSE TO RISING CHINA**

Regarding East Asian secondary states' responses toward China's rise, more than a few appraisals have provided a variety of perspectives. David Kang presents that Asian states are jumping on China's rise due to East Asia's distinctive historical and cultural legacy. According to Kang, East Asian states are well aware that strong China maintained stable and peaceful regional order throughout history, and therefore, likely to accept reestablished regional hierarchy as an accustomed reality (Kang 2003). Yet his analysis is not cogent for the following two reasons. First, he overlooks the fact that the modern concept of state sovereignty has now been strongly etched in the minds of East Asians than a remote memory of Sino-centric hierarchy. Second, he regards growing active economic engagement with China as a phenomenon of bandwagoning, yet as Amitav Acharya points out, this is an inappropriate interpretation (Acharya 2003/4).

Robert Ross summarizes East Asian states' response to China as accommodation and balancing. He describes South Korea and Taiwan as accommodators concerned about their vulnerability to China's military power and attracted to its soft power. According to his analysis, Japan and ASEAN countries on the other hand are balancing against China with the backup of U.S. military supremacy (Ross 2007). However, this dichotomous framing of accommodation and balancing oversimplifies the complex underpinnings of East Asian states' responses and fails to reveal more various and diversified policies of secondary powers toward China.

Assessments of Evelyn Goh (Goh 2007/8) and Denny Roy (Roy 2005) demonstrate more specific strategic picture of East Asia. Despite some differences, their analyses share a common view that secondary powers in Southeast Asia are employing more various and diversified strategy of hedging. While these works offer useful insights to understand East Asian response to rising China, they unfortunately omit the cases of Northeast Asian countries, another strategically important sub region in East Asia. Major factors which affected Southeast Asian states' decisions are not thoroughly analyzed as well.

A more recent analysis of Jae Ho Chung (Chung 2009/10) furnishes patterns of East Asian responds and factors that affected such variations. He suggests that states in East Asia largely show four types of policy choices: bandwagoning, hesitant hedging, active hedging, and balancing. Chung also statistically assesses the variables closely related to each state's response and concludes that alliances with the United States, territorial disputes with China, and regime similarity are the key factors determining East Asian states' strategic choices. Yet this attempt seems to have a few problems. First, statistical analysis is an inappropriate method because the whole population is too small and it has limitations to show factors and causal logics behind state behaviors. Second, the test results his logit analysis shows only one factor, US alliance, is statistically significant and contradicts to the reality of East Asian responses.

This paper attempts to complement the above mentioned pitfalls and limitations of previous studies in three ways. First, it takes a deductive approach in examining secondary powers' responses toward a rising power by theoretically framing small state behaviors in power transition. Second, with a review of possible strategic options, it redefines each strategy with relevant criteria. Third, broadening the scope of the study to regional and bilateral response of East Asian secondary powers, it inductively draws conclusions and implications for the region.

## **SECONDARY POWERS' BEHAVIOR IN TIME OF POWER SHIFT**

### **SMALL STATES IN INTERNATIONAL POLITICS**

At the outset, it is imperative to clarify the definition of secondary power before scrutinizing its behaviors. The most common and traditional way of defining small states, another label of

secondary powers, is presenting “what they are not.” (Neumann and Gstöhl 2006: 6) In other words, secondary states are defined as states other than great powers. A more practical definition for our contemporary world is “states other than the ‘Big Five’”, i.e. all the states except permanent members of the UN Security Council (Schmidl2001: 85). In terms of function, minor powers are states which are lack of, or have only a limited capability to influence on international system, whereas great powers are states playing “system-determining” or “system-affecting” roles with significant influence on international arena (Keohane 2006).

Reflecting the above criteria, this paper defines secondary powers as “‘small’ states in terms of power, which lack efficient political and military might to challenge great power(s)”. Firstly, they are ‘secondary’ because they have severe limitations to confront ‘first-tier’ states and challenge international arrangement set by great powers. Secondly, they are labeled as ‘small states’ because of their size of power, not of geographical territory. According to this definition, all states in East Asia but Russia are secondary powers. Even Japan, a prominent economic giant with the world’s third largest GDP after the United States and China, conspicuously lacks of efficient military capability to challenge great power(s) in the region.

Secondary powers—or small states—have long been marginalized as mere followers or subjects of great power politics in international relations. In fact, a famous phrase of Elian Dialogue, “the strong do as they can and the weak suffer what they must” has been dominating principle of international politics throughout history. In his seminal book, *Politics among Nations*, Hans Morgenthau once mentioned that “small nations have always owed their independence either to the balance of power, or to the preponderance of one protecting power, or to their lack of attractiveness for imperialistic aspirations.” (Morgenthau 1948: 196)

However, it is imperative to recognize and to study secondary powers’ certain degree of influence, even if limited, in time of power shift. Small states in key geostrategic positions can be functioned either as bulwarks of rising state or as daggers against ascending power’s throat. In addition, minor powers can affect great powers’ influence and leadership by raising or reducing states of critical issues and contingencies. Even though small states cannot dare to use the strength of one great power to oppose another one (e.g. forging hostile alliance, joining the attacks), they can affect the calculations of great power leaders, reminding them that such a move is a possible option (Fox 2006: 51). Furthermore, small states can be important ‘electorates’ in regional and international status competition among great powers.

## **MINOR POWER' S STRATEGIC OPTIONS**

Then how do minor powers respond to the change of international power distribution? Due to their small size and limited power, strategic calculations of second tier states are distinctive from great powers’ response to the rising power. First and foremost, minor powers cannot help but being extremely cautious because their strategic choices have greater direct effects to their ‘survival.’ On the contrary, great powers, thanks to their preponderant influence and

resources, can enjoy room for a juggle when considering various problems such as trustworthiness, regional power arrangements, and international order to cope with a rising power. Wrong decision of small states, however, may lead to a tremendous loss of their national interests, political autonomy, or even their existence.

Second, minor powers fully recognize that their political and military leverages, if they exist, are inherently limited to check or deter ascending great power. With exceptions of having particular geostrategic advantages which provide an effective asymmetric instrument of deterrence, small states generally suffer strategic asymmetry and vulnerability in relationship with great powers. Their 'weight' in international arena is too light to change balance of power, and they fret that hasty actions can aggravate the situation by provoking great power.

Third, great powers' policy can exercise significant influence over strategic calculations of small states. On the one hand, rising great power can deter small states' balancing by threat of punishment or with political and economic compensations. In case of the latter, minor powers can find the 'window of opportunity' in time of power transition. On the other hand, the act of counterbalancing against other threatening great power can encourage small states to participate in balancing coalitions by offering effective supports and commitments.

Considering such circumstances, small states have distinctive list of policy options from great powers. For example, an attempt to militarily dissuade rising power before it gets stronger with preventive war is not a viable option for small states. Strategy of containment by off-putting rising power's sphere of control within limited boundaries is also an unrealistic policy for small states which lack both grand design and absolute commitment to counter super power. Facing the change of regional power distribution, secondary states can choose their strategy among various options: hiding, bandwagoning, appeasing, accommodating, balancing, engaging, transcending, and hedging.

### *Hiding*

The first and the simplest response of small states toward regional power transition is hiding. Hiding refers to policy of ignorance by discounting threat or declaring neutrality, hoping that "the storm would blow over." (Schroeder 1994: 117) The reason of hiding is not difficult to understand. Under the unpredictable situations of power shift, small states find themselves helpless with their severely limited national capabilities. In addition, hasty actions such as siding with one or another often demanding hostile attitude toward other great powers are too much of a risk for small states. Under these circumstances, they may prefer to remain undetermined, simply wishing all things would pass by. A state to have chosen the strategy of hiding when it faces a rising power but does nothing or declares neutrality despite the absence of efficient measures or capabilities to preserve such political stance.

### *Bandwagoning*

The second option is bandwagoning: an attempt to align with rising great power rather than to balance against it. There are two possible motivations for jumping on the rising states. On

one hand, for a defensive purpose, minor powers may try to neutralize threat and thereby avoid possible attacks from the ascending power by joining the latter (Walt 1987). On the other hand, for somewhat an offensive purpose, they can gain profits derived from ascending powers' expansion by "being on the winning side" (Schweller 1994). More specific forms of bandwagoning are as follows: Firstly, the action of 'threat neutralizing' bandwagoning is aligning with rising power, either explicitly or implicitly. Secondly, when a state joins or supports rising power's exercise of influence and its expansionist policies expecting political or economic gains, it falls into the category of 'profit seeking' bandwagoning. However, it should be noted that this type of strategy does not include all the forms of profit gaining from the state's interaction with rising power. For instance, though a state seeks to gain economic benefits from trade with ascending power, this does not necessarily mean that the former joins or supports the latter's 'rising.' In that regard, interpreting economic engagement as bandwagoning may obscure our analysis of states' strategic action and thus should be ruled out (Roy 2005: 308).

#### *Appeasement*

The third way of response is appeasement which is a common small state behavior. It refers to the "policy of settling international quarrels by admitting and satisfying grievances through rational negotiation and compromise thereby avoiding the resort to an armed conflict." (Kennedy 1983: 16) More broadly, compromising or yielding on unreasonable demands of rising power can be interpreted as an appeasement policy. Historically, in numerous cases, small states which suffered lack of efficient bargaining power have yielded on harsh demands of great powers. The working measure of appeasement in this paper is whether a state accepts unreasonable demands such as cession of disputed territory, unfair diplomatic treaty, or exploitative trade arrangements.

#### *Accommodation*

The fourth option is accommodation. Small states' accommodating strategies in time of power shift are twofold: satisfying the rising power and adapting to the new environment. Admitting improved international status of a rising state as well as its undeniable prominence followed by offering political or economic favors to it, small states can please the ascending power. In addition, small states may adapt themselves to changes in regional or international order, and it may build new interstate relations caused by the power transition. Through these efforts, small states can avoid antagonizing great power and even establish an amicable relationship with it. Accommodation differs from bandwagoning and appeasement for two reasons. Though it aims to enhance relationship with rising state, it is not an attempt to align with the emerging power. In addition, accommodation only offers acknowledgements and moderate favors to rising power, whereas appeasement submits to grievance of rising power.

#### *Balancing*

The sixth way of responding to a rising state is balancing, a counteraction against the rise of a great power by forging balance of power. Depending on its measures, this strategy is divided

into internal and external balancing. Internal balancing is an attempt to seek balance with increase of state's capability, mainly military power. On the other hand, external balancing is restoring equilibrium of power through establishment of alliance or alignment against the rising great power (Levy 2004: 35). With respect to its intensity, balancing can take two forms: hard and soft balancing. Hard balancing is a traditional way of explicit counterbalancing with internal arms buildup and external alliances. In contrast, soft balancing is a tacit effort to balance rising power with less provocative measures such as limited military buildup, informal or ad hoc security consultations among affected states, the use of international institutions to pressure or to bind the rising power (Paul 2004).

Balancing strategy, particularly hard balancing, is rarely taken by small states. Because secondary states' vulnerability to great power severely restrains their capabilities to balance against the latter, minor powers cannot successfully counterbalance against it without significant change caused by another great power (Liska 1968). In addition, entering into alliances can significantly restrain diplomatic flexibility of minor powers in international crises (Krause and Singer 2001: 19). Moreover, joining the counterbalancing coalition means that the balancer lucidly demonstrates belligerent intention against rising power, and it may invite undesirable antagonism and possible aggression from the latter. Thus if minor powers seek offset the emerging power, they must obtain a strong partner (most likely other great powers) with strong commitment and security guarantees. Without such support, small states have to choose a very limited degree soft balancing.

### *Engagement*

The Seventh option is to engage with the ascending power. Engagement is defined as "the attempt to influence the political behavior of a target state through the comprehensive establishment and enhancement of contacts with that state across multiple issue-areas." (Resnick 2001: 559) Instruments of engagement policy include diplomatic contacts (e.g. extension and elevation of diplomatic relations, summits, high level meetings, etc.), military contacts (e.g. military exchange, joint training or exercise, confidence building measures, intelligence sharing), economic contacts (e.g. agreements, foreign aids and loans, coordination of macroeconomic policies), and social contacts (e.g. cultural exchanges, improvement of tourism, youth exchange programs). Through these forms of interactions, minor powers can try to induce its target to more moderate and peaceful path of ascendance. Although secondary states' influence over shaping perceptions and behaviors of rising power is not as powerful as great powers,' engagement is a considerable option. If ascending state's thinking and behavior can be altered to a more favorable direction even to the slightest degree, it is worth to attempt because it does not require significant compensations nor costs, and it does not risk provoking antagonism.

### *Transcending*

Transcending is an attempt of overcoming the power-centric logic of *realpolitik* through institutional and/or normative arrangements (Schroeder 1994: 117). Due to their obvious lack

of efficient political and military capability, small states may depend on other instruments of influence: multilateral institutions and international norms. In the platform of multilateral institutions and regimes, barring a few exceptions, minor powers can enjoy relatively equal right to voice their concerns and opinions about regional and international affairs and set the issue agenda. Therefore, bringing the rising power into this realm of multilateralism, if succeeds, can be a useful way of exercising influence over it. Appealing to international norms, such as non-intervention, respect for sovereignty, peaceful resolution of interstate conflicts, and many more can be another way of transcending.

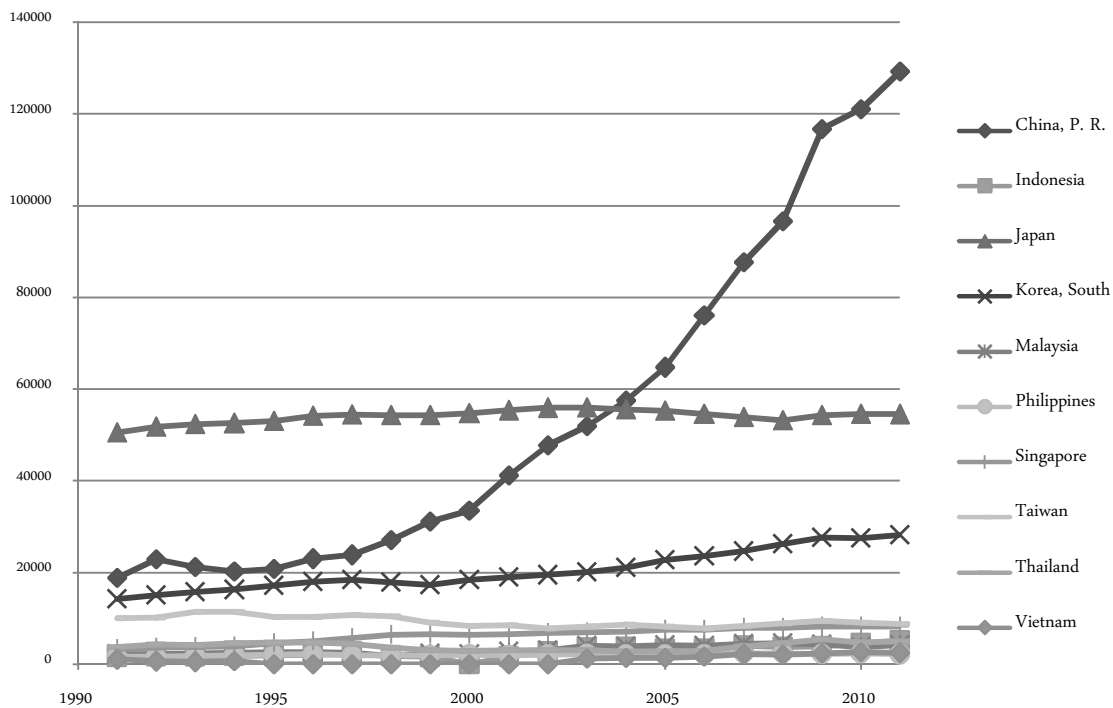
### *Hedging*

The last option is hedging which refers to diversification of strategy to prepare uncertain future. Like the old saying, “do not put all eggs in one basket,” strategic decisions that are too specific may endanger the future of a state. If the situation of power shift develops toward a completely predictable direction, choosing the most relevant strategy of response with concentration of all relevant resources may be effective. However, if not, depending on only a single option can be fatal for secondary states under severe influence of great power politics. For such reasons, minor powers may hold to a portfolio of multiple options such as balancing, bandwagoning, engagement etc. In that sense, hedging is rather a mix of strategies than an exclusive one.

## **HOW EAST ASIA RESPONDS TO CHINA**

How do states in East Asia respond to the rise of China? There are three overall patterns in these states’ strategies. First, every observed country in this paper employs or considers hedging, a combined strategy of two or more policy options. It is interesting that even states commonly regarded as an evident balancer (e.g. Taiwan) or a bandwagoner (e.g. North Korea) bifurcate their way of response. Second, almost all states display accommodating attitude toward China and actively engage with it. It appears that they not only adapt to undeniable reality of China’s ascendance but also try to affect and exploit it. Third, with the exception of Taiwan, every East Asian state does not take hard balancing. There is no sign of explicit arms race nor an emergence of counterbalancing alignment against China responding to China’s growing military capability, as figure 1 evinces. While there exists some states that attempt to balance against China’s growing power, their offsetting strategy takes rather a soft form, such as limited military buildup or approaching to other great powers. Following sections review individual responses of East Asian states.





**Figure 1. Military expenditure by country, 1991-2011 (USD Dollars, Millions)**

Source: SIPRI Military Expenditure Database

## NORTHEAST ASIA

### *Japan*

Japan's policy toward China can be summarized as an active economic engagement and low-intense external and internal balancing. Despite the long historical rivalry between the two countries in the region, Japan's main policy line toward China has been engagement policy even during the Cold War era. With various measures of engagement such as improving bilateral relations and employing Japan-China-US trilateral framework for policy cooperation, Japan has tried to influence the way of Chinese thinking and its behaviors (Hughes 2009). Japan was one of the first countries which supported China's reintegration to international community after the 1989 Tiananmen massacre, and had actively encouraged and welcomed China's access to regional and international organizations (Mochizuki 2007). Accompanied by such efforts, Japan has tried to incorporate China within the liberal international order and attempted to prevent possible regional confrontation or destabilization due to China's growth.

Simultaneously, Japan also adopts the strategy of low intensity external and internal balancing. Though it had long maintained policy of engagement, Tokyo's suspicion toward its great neighbor has significantly increased as China's capability exponentially has grown. Rapid development of the Chinese navy, which can possibly threaten safe navigation of

Japanese vessels in critical sea lanes of communications (SLOCs) in East Asia, is a major cause of grave concern and anxiety for Japanese leaders. In addition, China's aggressive attitudes and policies such as trade embargo of rare earth materials shown in recent diplomatic confrontations over Senkaku/Diaoyu Islands and gas fields in East China Sea have intensified such concerns about China.

Facing the rise of China, Japan seeks soft version of external balancing with states in East Asia. The main pillar of Japan's low intensity balancing is its alliance with the United States. The statement of the US-Japan Security Consultative meeting in 2005 addressed China's growing military capability and that its opaque character can pose serious challenge in this region. Moreover, in 2006, the two countries conducted joint military exercise which presupposed China as the main threat (Chung 2009/2010: 663). In addition, Japan started to enlarge its geographical scope of security cooperation. After signing the Japan-India Global and Strategic Partnership in 2007, Japan and India jointly announced Joint Declaration on Security Cooperation in 2008, agreeing to improve security cooperation in various areas. The announcement of Japan-Australia Security Declaration in 2007 was another indication showing that Japan has achieved remarkable development in its security cooperation with Australia, both sharing suspicion and concerns over rising China (Bisley 2008).

Along with external balancing, though in limited manner, Japan began internal balancing. The National Defense Program Guidelines (NDPG) of Japan, which was newly announced in 2010, shows changes in Japanese strategic posture. For the first time it altered its main defense principle from "Basic Defense Force (*kibantekiboairyoku*)" to "Dynamic Defense Force (*dotekiboairyoku*)" and changed its key focus from the north-eastern to the south-western theater. These changes signify that the Japanese Self Defense Force takes possible conflict with China into account seriously (Fouse 2011). Similarly, Japan increasingly concentrates military capability to the South rearranging its defense allocation with advanced maritime patrol aircraft, jet fighters and bases (Hoslag 2010: 81).

### *North Korea*

North Korea, the country that appears to be an obvious bandwagoner at first sight, is not only jumping on rising China but rather combines the strategy of tacit balancing and engagement toward its growing neighbor. Traditionally, the bilateral relationship between North Korea and China has been known as the closest comrades of "lips and teeth," "blood ally," or "brother in arms." Yet during the Cold War period, North Korea sought autonomy and independence from Chinese influence, conducting equidistance diplomacy between China and the Soviet Union (Lee 1996).

North Korea's behaviors during the North Korean nuclear crisis in the last two decades since early 1990s demonstrate that it occasionally distanced itself from China and consistently sought 'strong army and rich nation' with its own might. Throughout the several important events in the nuclear crisis, Pyongyang has shown that it regarded China merely as an "expedient partner" rather than as a partner for bandwagoning. Furthermore, North Korea has

constantly ignored Chinese concerns and loathing of its destabilizing impact of such irresponsible behaviors (Kim 2009). The top priority of Pyongyang's nuclear diplomacy was breaking the deal with the United States and this has frustrated Beijing numerous times. Disregarding China's repeated warnings and persuasions, North Korea pushed ahead two nuclear tests and additional ballistic missile tests. Furthermore, North Korea appears to be worried that China's dominant influence might overshadow it. For instance, in 2007, in meetings with US high ranking officials, North Korean negotiator Kim Kye-kwan even gave a hint that his country might cooperate to contain China if the United States were to normalize diplomatic ties with North Korea. Though the suggestion was immediately turned down, this incident shows how North Korea had thought about its closest ally.

However, recent power succession in North Korea has pushed Pyongyang to seek active political engagement with China. Before his death, then North Korean supreme leader Kim Jong Il has visited China three times in a single year (2010-2011).. The purpose of this unprecedented diplomatic move was evident: Kim Jong Il strongly needed China's support to hand over his power to his son under safe circumstances. Kim Jong Un, the new leader of North Korea, also needs support from China in order to handle both external and internal challenges he now face. In this regards, North Korea is most likely to continue its engagement policy toward China.

### *South Korea*

The most distinctive feature of South Korea's response to China is that it mainly concentrates on one strategy: engagement policy. South Korea has actively taken this stance ever since it normalized its diplomatic relationship with China in 1992. Since then, the total trade value between the two countries jumped from \$6.4 billion in 1992 to \$220 billion in 2011, placing China as now South Korea's largest trade partner and magnet for investment. For South Korea, China is not only an attractive economic partner but also an important strategic helper in its foreign affairs, particularly its North Korea policy. To deal with its unruly neighbor in the North, Seoul needs China's strong support which has considerable influence and leverages over North Korea. Reflecting this fact, the two countries upgraded their bilateral relationship from "good neighbor" to "strategic cooperative partner" in 2008. Close partnership between Seoul and Beijing has been significantly advanced during the second North Korean nuclear crisis. China and South Korea closely cooperated to resolve the issue, and the two states have played a major role in creating and operating of the Six Party Talks, a multilateral security discussion framework designed to find diplomatic solution for the North Korean nuclear problem.

Though South Korea's behavior shows strong inclination to engagement, it would be misleading to interpret as Seoul feeling no needs for hedging or balancing strategies. South Korea too has suspicions and concerns regarding China as other countries. Furthermore, a handful of recent diplomatic quarrels has pushed Korea to consider hedging against China. In the early 2000s, the Chinese government supported an historical research project on *Koguryo*,

ancient dynasty which was located in Manchuria and the northern area of the Korean peninsula. This has angered many Koreans who viewed the project as imperialist action “stealing” their history. The most striking event was China’s behavior after the sinking of *Cheonan*, a South Korean navy vessel in 2010. China has never acknowledged the international factor which has been the finding group’s main conclusion pointing North Korea to be the main suspect of the torpedo attack. Furthermore, China fiercely opposed to US-South Korean joint military exercise, a purposed military drill and demonstration of allied force toward North Korea, in the same year with harsh criticisms labeling it as violation of China’s Yellow Sea. For Koreans who have trusted China as their sincere partner and long regarded the Yellow Sea as their space of living, China’s such actions were interpreted as arrogant, frustrating, and even imperialistic. In addition, Seoul has both doubt and concern about what China would do if North Korea suddenly collapses. Though South Korea has dealt with these problems with recent active political engagements to change China, it is likely to consider options of hedging or balancing more seriously if its accumulated frustration regarding China reaches a certain threshold.

### *Taiwan*

Taiwan pursues combined strategy of engagement and balancing as it faces a rapid increase of China’s power. Since the opening of regular economic exchanges between Taiwan and mainland China, leaders in Taipei sought engagement strategy to change Beijing’s belligerent policy, exemplified in threat of use of force, diplomatic exclusion of Taiwan from regional and international community, to a more positive one (Kahler and Kastner 2006: 534). Though there had been some ups and downs during tumultuous years of the 1990s and the early 2000s, Taiwan currently maintains economic and social engagement with China under President Ma Ying-Jeou’s active rapprochement policy. Taiwan now admits China’s ascendance as its political reality and recognizes its needs to reduce tensions across the Straits (Wang 2010). Through active engagement policies, both sides of the strait agreed to open direct commercial flights between Taiwan and China in 2008, and signed The Economic Cooperative Framework Agreement (ECFA) in 2010.

Pursuing rapprochement toward China through consistent economic engagement, Taiwan seeks balancing as another pillar of its China policy. For several reasons such as security dilemma across the straits, disagreement over the legal identity of the Taiwanese government, and its historical suspicion toward Beijing, Taiwan is likely to choose balancing over bandwagoning (Bush 2005). The major instrument of this balancing is de facto alliance with the United States, which protected Taiwan since the 1950s.

## **SOUTHEAST ASIA**

### *ASEAN*

The most distinctive feature of Southeast Asian states’ response is engagement and transcending through the Association of Southeast Asian Nations (ASEAN). Before

observing individual state's policy, it is imperative to scrutinize how countries in Southeast Asia multilaterally approach to rising China. Specifically, ASEAN's response to the rise of China can be summarized as collective engagement, enmeshment of China into regional institution, binding China to regional norms.

Firstly, Southeast Asian states have eagerly engaged with China not only in bilateral manner but also in the framework of ASEAN. This effort resulted in China's acceding of ASEAN Treaty of Amity and Cooperation (TAC) in 2003, and China has become the member of enlarged ASEAN community. The ASEAN-China Free Trade Agreement signed in 2002 is another achievement of collective engagement.

Secondly, ASEAN pursues transcending strategy which aims to enmesh China in multilateral institution. ASEAN countries seek to "tie down" China by "creating expectations and obligations," through bringing it into regional multilateral organization. The most vivid case of China's enmeshment is ARF. China initially shown uncomfortable attitude when the forum was began, but gradually admitted the meaning and role of ARF in East Asian security cooperation and became an active participant of it (Morada 2004: 229).

Thirdly, ASEAN countries attempt to create regional norms and bind China with it. The norms states of ASEAN mainly pursue are modern Westphalian principles of independence, reciprocity, equality, non-interference. And they try to embed these norms within regional interstate relations (Acharya 2003/4: 159). ASEAN states' dealing with South China Sea maritime disputes lucidly illustrates this effort. In 2002, ASEAN and China signed the Declaration on the Conduct of Parties in the South China Sea and made the first step toward creation of non-violent norms for conflict resolution. ASEAN states, mainly claimant ones, strongly push a more binding South China Sea Code of Conduct to ease tensions and bind China's assertive behavior in the region (Thayer 2011).

### *Indonesia*

The response of Indonesia is hedging strategy consists of engagement, accommodation and soft balancing. Though it had had skeptical attitude to China right after the Cold War era, Indonesia has begun active engagement accommodation after it received help from China throughout several political and economic crises last two decades. In dealing with tough challenges of massive riots in 1998, 1997 Asian Financial Crisis, and 2004 tsunami disaster, China had shown "good neighbor" policy and "charm diplomacy" with considerable support and cooperation, and gradually succeeded to gain Jakarta's heart (Sukma 2009a). After such 'ice-breaking' period, Indonesia rapidly deepened and bolstered bilateral ties with China. In 2002, Indonesian government banned the public march of *Falung Gong*, a religious group banned in China. In 2003, under US ban on military sales, Indonesian defense officials discussed the arms trade with China, seeking an alternative option for military purchase. In 2005, two countries agreed to raise the level of their bilateral relation to 'strategic partnership,' and broke a deal of currency swap. Furthermore, in 2011, Indonesia and China agreed to begin joint arms production.

However, Jakarta does not entirely concentrate its resources to engagement and

accommodation: it also cautiously seeks soft balancing. Indonesian leaders still have suspicions and worries about its giant neighbor. This perception of threat has two sources. First, Jakarta has serious concern about possible link between Indonesia's domestic Chinese minorities and China (Sukma 2004; Roy 2005). Second, under ongoing territorial disputes over Natuna Island in South China Sea, growing Chinese prowess and aggressive policy toward maritime disputes made Indonesia to fret about uncertain future of Asia under strong China (Sukma 2009b). To hedge uncertain future, Jakarta positively responds to the US engagement as an offsetting power against China's influence (Smith 2003). Began with cooperation for the War on Terror in Bush administration, the US-Indonesia relations shown significant development after the election of President Obama, the 'first Asia-Pacific US president' who spent his childhood days in Indonesia. Indonesia obtained \$56 million maritime radar systems from the United States, and the two countries agreed to The 2009 US-Indonesia Comprehensive Partnership. Furthermore, in 2010, the United States lifted arms exported ban on Indonesia in several decades (Murphy 2010).

### *Malaysia*

Malaysia's response toward China is positive hedging consists of engagement, accommodation, and even tacit bandwagoning. Malaysia's policy since 2000s vividly shows it aims to maintain and develop more cordial relationship with China. Since 2003 Malaysian government has cracked down the activities of *Falun Gong* in its territory. *Epoch Times*, a *Falun Gong* related press, was banned in 2005 for negatively affecting bilateral relations of Malaysia and China. In addition, in 2004, Deputy Prime Minister Najib Razak publicly instructed government officers not to officially visit Taiwan.

Some analysts suggest evidences of Malaysia's "tacit entente" with China (Chung 2009/2010). Despite the disputes over South China Sea, Malaysia shows much closer stance with China compared to other claimants, Vietnam and the Philippines (Baginda 2004). It seems that Kuala Lumpur regards the main sources of external threat and target of defense build-up are its immediate neighbors rather than China (Tan 2003). In 2004, Malaysia broke a military technology transfer deal with China and agreed to buy medium-range missile system. Malaysia and China already agreed to resolve their different views on South China Sea territorial issues in peaceful way, and it is even rumored that two states might take a joint stance against other claimants (Haacke 2005: 132). Furthermore, in 2005, Malaysian government publicly criticized the announcement of the United States and Japan which portrayed China as a potential threat.

Reasons behind Malaysia's policy are China's attractiveness and domestic politics (Liow 2009). Malaysians were deeply impressed by Chinese diplomatic culture which restrains itself from intervening other country's internal affairs, and China's responsible response toward Asian countries during the Asian Financial Crisis in late 1990s. In addition, Malaysia expects China to check and balance unrestrained US power by forging multipolar international order. Ethnic Chinese minorities, a political force to be reckoned with, are another consideration of Malaysian leaders when they ponder about China policy.

### *Myanmar (Burma)*

Myanmar, a county which has been regarded as manifest bandwagoner, began to employ hedging strategy recently. Myanmar and China has long enjoyed special relations, officially labeled as “traditional, good neighborly and friendly” relationship, or a *paukhpaw* (brotherhood) one (Than 2003: 121). Due to its authoritarian domestic rule of military junta, which has been sanctioned by the Western great powers such as the United States and the European Union, Myanmar came closer to China. Myanmar has important geostrategic value to China because of its location between China and India, and its access route to the Indian Ocean (Kuppuswamy 2008). For these reasons China has been a closest ally of this pariah state and offered tremendous supports to its ‘little brother.’ And Myanmar has devoted itself to the relationship with China (Santoli 2003).

Recently, however, there appear some suspected signs of tacit hedging, for offsetting over-reliance on China. Sudden suspension of Myitsone hydropower dam project in 2011 was the first indication. Citing public opposition over its negative environmental effect, Myanmar unilaterally suspended the project and caused significant loss to China. This incident made Beijing to have suspicion if Yangon tried to display its distancing from China to the West (*Global Times*, November 30, 2011). Myanmar’s recent opening to the outside world following unprecedented political reform may confirm China’s suspicions. From 2010 to 2012, Myanmar freed democratic leader Aung San Suu Kyi and held open and free parliamentary election, taking landslide defeat to opposition party. In response to these changes, US State Secretary Hillary Clinton promised improved bilateral relations if the reforms continued. In addition, Myanmar’s President Thein Sein made a state visit to India in November 2011 and discussed further development of Myanmar-India relations. These policies of rapprochement to the United States and India show Myanmar is reconsidering the balance among great powers in its foreign policy.

### *The Philippines*

The Philippines pursues hedging strategy of engagement and soft balancing. Manila has sought to improve bilateral relations with China over last decade. In 2005, celebrating the 30<sup>th</sup> anniversary of Philippines-China relations, China’s Premier Wen Jiabao announced that the two countries have reached to a “new golden age of partnership.” Currently China is the third largest trading partner of the Philippines, and bilateral economic cooperation across various areas such as joint financing for agricultural project and large-scale construction plans has been steadily grown. The two countries have exchanged several high-level visits, and annual official security consultations have been held since early 2000s (Morada 2009). Particularly, diplomatic friction with the United States caused by Philippine’s early withdrawal from Iraq in 2004 made the president of the Philippines Arroyo move closer to Beijing, and military cooperation between the Philippines and China has been dramatically increased (Robles 2004).

Meanwhile, soft balancing strategy against China is also carried simultaneously. Although

it does not explicitly prepare military confrontations with China, the Philippines makes effort to strengthen ties with the United States to hedge against possible crisis (Buszynski 2002). The main reason of tacit balancing is maritime disputes with China over South China Sea. Through the brouhaha over Mischeif Reef in 1995, Manila learned a bitter lesson that it still needs the United States, then distanced from Manila after closing of US bases in early 1990s (Pablo-Baviera 2004). The US-Philippines military alliance has been bolstered through 1997 Visiting Forces Agreement, 2003 Mutual Logistics Support Agreement, and the Philippines' designation as a "major non-NATO ally" by the United States in the same year (Roy 2005).

### *Singapore*

Singapore, a small but wealthy city state in Southeast Asia, employs hedging strategy with active engagement and cautious soft balancing. Singapore's engagement policy lies from economic to military sector. As an economic hub of Asia, Singapore has been a close trade partner of China since 1980s and enthusiastically sought economic engagement (Tan 2009). One of the most noticeable signs is a Free Trade Agreement between the two countries, which was China's first comprehensive FTA deal in Asia, signed in 2008. The more striking development is growing military engagement. In response to China's enthusiastic approach, Singapore is rapidly improving bilateral military ties with China. Since 2008 two countries started annual bilateral high-level defense dialogue and agreed to increase military exchanges and security cooperation. In 2009, Singapore and China held joint anti-terrorism consultations and training exercise in China. An in 2010, the first joint military drill participated by Chinese People's Liberation Army and Singapore Armed Forces was held in Singapore.

Yet Singapore's engagement policy is accompanied with soft balancing. Though it actively has engaged with China, Singapore also has been distanced itself and balanced against China politically (Kuik 2008). In 2004, despite China's furious warnings and diplomatic disputes, Prime Minister Lee Hsien Loong pushed ahead with his visit to Taipei. In addition, though there are ups and downs in discussion, Singapore has sought free trade deal with Taiwan since early 2000s. Singapore's these actions vividly demonstrate it has "sovereign right to act no matter what China thinks" (Tan 2009). The existence of the United States in Asia is another buttressing power and useful instrument of balancing. Singapore regards the role of the United States as a great stabilizer and 'honest broker' who maintains favorable balance of power in East Asia (Kwa and Tan 2002). Singapore signed the Strategic Framework Agreement, which seeks expansion of bilateral defense and security cooperation, with the United States in 2005, and is a participating member of Gold Cobra exercise, an annual military drill with the United States and Thailand.

### *Thailand*

Thailand's response shows typical hedging strategy, combining engagement with China and strengthening of the alliance with the United States. Thailand is an active and enthusiastic engager. Through bilateral discussions, started by suggestion of Bangkok, two countries



announced the Joint Communiqué on a Plan of Cooperation for the 21st Century in 1999. Thailand was China's first partner who agreed such formal bilateral declaration for cooperation in Southeast Asia, and this effort developed into the Thailand-China Joint Action Plan for Strategic Cooperation of 2007, which includes not only economic sectors but also cultural and educational exchanges, anti narcotic campaigns and patrols, public health (e.g. SARS, AIDS), and even military cooperation (Chinwanno 2009). In addition, since 2005, Thailand and China have held several joint military drills, mainly focusing on counter-terrorism and other nontraditional threats.

Simultaneously, as one of major US allies in East Asia, Thailand also makes an effort to maintain strategic ties with the United States. Thailand is a main participant of the *Cobra Gold* exercise, the largest annual US-led joint military drill in Asia, and most of its arms imports are from the United States. It can be interpreted as a preparation for the uncertain future. Though it has no major political or territorial issue of disputes with China and perceived threat remains low, Thailand does not want to abandon its traditional security partner who can someday be a useful insurance policy (Roy 2005).

### *Vietnam*

Vietnam also employs combined hedging strategy: engagement with China and nascent soft balancing with other great powers. Vietnam and China, once belligerents fought fierce war, have rapidly improved bilateral relations since the normalization of diplomatic ties in 1991. Vietnam obtained the status of most-favored-nations in 2002, and China had become the largest trade partner of Vietnam in 2004 (Cheng 2011). Beside rapidly growing economic interactions, the most distinctive feature of Vietnam's engagement is strengthening of military relations of the two countries. Vietnam and China has frequently exchanged high-level military meetings since the 1990s, and for the first time in history, in 2001, People's Liberation Army Navy frigate made a port call in Vietnamese port Cam Ranh Bay. In addition, defense ministers from both countries agreed to conduct joint patrol of Gulf of Tonkin in 2005 (Kang 2007: 57)

To balance great power influence, simultaneously, Hanoi looks other great powers such as the United States, Russia, and India. Vietnamese leaders occasionally revealed their supports to the American armed forces' role of balancer in East Asia, particularly considering maritime and territorial disputes with China in Paracel and Spratly Islands (Storey and Thayer 2001). In 2003, for the first time since the end of Vietnam War, Hanoi allowed US navy vessels to pay a port call (Roy 2005). Since early 2000s Vietnam and the United States have advanced bilateral cooperation over various issues such as global warming, human trafficking, and development of the Mekong River (Brown 2010). In addition to rapprochement with the United States, Vietnam recently obtained new submarines and jet fighters from and contracted new naval base project with Russia (Cheng 2011). Adding to these efforts, joint military discussions and consultations with India are also increasing since early 2000s (Hoslag 2010: 105).

## **FACTORS BEHIND THE RESPONSES OF EAST ASIAN SECONDARY POWERS**

### **STRATEGIC UNCERTAINTY**

The first and the foremost important factor affecting East Asian States' response to China is the lingering uncertainty within the region. Since the end of the Cold War, strategic uncertainty which features lack of predictability and fluidity has been a distinctive feature in East Asia (Khong 2004). Strategic picture of East Asia can be described as a multifarious mosaic of competing models such as hegemonic system, major power rivalries, the hub-and-spokes alliance system, the concert of powers, condominium of powers, normative community, and complex interdependence (Shambaugh 2005a). Even though every actor in the region admits the rise of China as an undeniable reality, the majority disagrees over the preferable model and the intention of Beijing regarding its future has been uncertain so far.

This flux characteristic of regional security environment strongly invites most East Asian states to hedge against their unpredictable future. As minor powers, countries in East Asia can easily be swayed by systematic and situational factors. Furthermore, as secondary powers, most states in East Asia lack 'system-determining' or 'system-influencing' capability and cannot easily improve this situation in doubt to a more settled one. Under such circumstances, East Asian states engage with China with an attempt to affect this giant's roadmap to the future and prepare various possibilities by employing a mixture of hedging simultaneously.

### **CHINA'S ACTIVE ENGAGEMENT**

Another important factor which affected East Asian countries' response is China's accommodative policy toward the region (Er et al. 2010). Since the end of the Cold War, China has devoted a great deal of effort to prevent the creation of belligerent external environment to its development (Goldstein 2005). To assuage East Asian states' worries about its rapid ascendance, China has persistently demonstrated that it would act in self-restrained manner with benign intentions (Zhang and Tang 2005). It has consciously adapted itself to the existing regional system, has tried to avoid confrontation with neighboring states, and has offered reassurance of "peaceful rising" (Li 2010). China's 'New Security Concept', which was publicly announced in 1997, vividly illustrates such efforts. This new thought of security clarifies four 'No's: no hegemony, no power politics, no arms races, and no military alliances (Haacke 2005). In addition, China invested vast amount of resources to grow its 'soft power' in East Asia. More specifically, it has deepened bilateral political and economic ties with states in the region and has actively participated in multilateral organizations and institutions (Shambaugh 2005b).

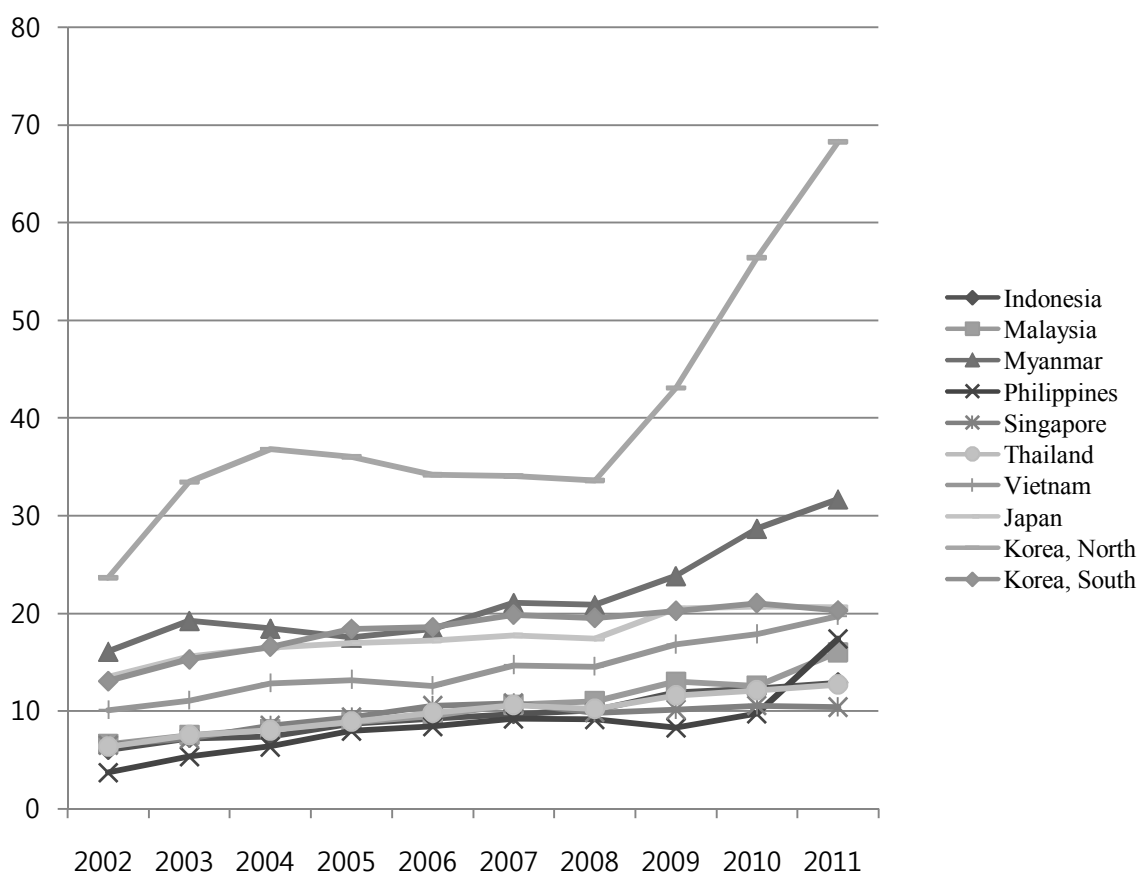
China's constant efforts of assuaging and launching a charm offensive seem to have succeeded in drawing some positive responses from its East Asian neighbors. Firstly, China's active engagement strategy led many East Asian states to avoid hard balancing. It eased threat perception of those states and successfully persuaded that there is no need for seeking full-

scale balancing measures which would require considerable costs and efforts. Secondly, such effort of China invited and encouraged East Asian countries' engagement with China. Active engagement policy of China opened a larger 'window of opportunity' for its neighboring countries to engage with China by offering political, economic, and social contact points. Furthermore, showing friendship and responsibility through engagement made leaders of East Asian states to believe that their engagement policy is producing positive outcomes. In relations, this has brought about learning effects and positive feedbacks regarding bilateral and multilateral engagements with China.

### **US POLICY TOWARD EAST ASIA**

The policy of the United States, another prominent great power, also significantly affects East Asian states' response to China. First, the existence of the United States in the region offers attractive and reliable alternative for balancing. The United States currently retains four formal alliances (Japan, South Korea, Thailand, and the Philippines) and one protectoral relationship (Taiwan) in East Asia. These ready-made alignments, initially made to respond to socialist bloc during the Cold War and thus do not necessarily express hostility toward China, are a useful tool of soft balancing, a non provocative strategy of balance of power. In addition, they can be transformed into the direct counterbalancing instrument whenever one or more US allies feel significantly threatened by China. Not only for allies but also for non-allied states in East Asia, the United States is a convenient option for soft balancing. China has always been conscious of US power in the region, and the United States has pursued active political and diplomatic engagement with East Asia. Under these circumstances, simply improving the relationship with the United States can be an important signal to China.

Second, ambivalent China policy of the United States is an important factor behind East Asian states' hedging strategy. As shown above, the majority of East Asian countries maintains or seriously considers combined approach toward China. In fact, not only secondary powers in East Asian states but also the United States has shown similarly ambiguous position in the last two decades. Though it has not explicitly mentioned the word 'hedging,' the United States has shown ambivalent attitude and policies toward China (Medeiros 2005). Practicing proactive engagement with China, the United States has also anxiously watched China rise and prepared for possible confrontations in the region. If US policy toward China drew one sharp line, such as containment against the Soviet Union, it would have narrowed the range of policy options for states in East Asia. At least, US allies in this region would have followed the US policy line. Yet the attitude of the United States is yet of two minds which leaves enough room for action to neighboring states. This ambivalence directs the US approach to not a hard balancing but a soft one, a more attractive option for other small states, because the United States takes hedging over balancing or containment policies toward China.



**Figure 2. The Percentage of trade with China in total trade by country, 2002-2011**

Source: Direction of Trade Statistics (DOTS), International Monetary Fund

### ECONOMIC DEPENDENCE

Economic dependence is another important determinant in East Asian states' response to China. Since its reform and opening has begun in 1979, thanks to its vast market size and enormous potential for growth, China has attracted neighboring countries to obtain profit from economic interactions with its economy. In fact, economic engagement with China has substantially benefited both China and its partners, and such 'win-win' outcomes have greatly reinforced economic ties.

Recently, however, states in East Asia began to find themselves 'addicted' to economic relations with China. As figure 2 illustrates, East Asian countries' trade dependence on China, a general measure indicating the degree of economic dependence among countries, is rapidly and significantly increasing. Growing economic dependence on China creates vulnerability in East Asian states' foreign policy making by raising the opportunity cost for balancing strategy. If they antagonize China, they might lose great 'cash cow' which has long provided enormous economic benefit. Due to the momentous difference in size of economy, such

dependence and vulnerability is quite asymmetric. While many East Asian states' substantial proportion of economic interaction is concentrated on China, China's economic exchange is omnidirectional and more diversified than its neighboring partners. Vulnerability caused by this asymmetric economic dependence encourages many regional states to avoid explicit hard balancing.

### **TERRITORIAL DISPUTES**

China's territorial dispute with several countries in East Asia is another major factor that affects these countries strategic choice to employ soft balancing. Currently, China experiences bitter conflicts with Japan over Senkaku/Diaoyu Islands in East China Sea. In addition, it also tackles with unresolved disputes with Vietnam, Malaysia, and the Philippines over Paracel and Spratly Islands in South China Sea. Though China has sought cautious foreign policy toward its neighboring countries to assuage their threat perceptions, territorial issue has been one of the major exceptions. Because of its insatiable desire for natural resources and fierce nationalism both within and outside of China, Beijing has not always shown prudent approach when dealing with territorial issues.

China's aggressive policy toward disputed territory which has been often highlighted through several unpleasant events, such as the Chinese fishing trawler's collision with Japanese Coast Guard patrol in 2010, has intensified threat perception of relevant countries involved in dispute. Barring Malaysia, claimant countries involved in territorial and maritime disputes with China all show closer relations with the United States, seeking back-up force to balance against Chinese assertiveness. Despite their lack of efficient diplomatic influence and military capability to directly confront China, these states can sufficiently discomfort and deter China by engaging with the United States. The US State Secretary Hillary Clinton's remarks in 2011, urging for peaceful resolution of South China Sea disputes, is one of the outcomes of such attempts.

### **CONCLUSION**

This paper has explored the response of secondary powers in East Asia to rising China. Analyses throughout the paper suggest that despite some variations, there are three overall patterns in East Asian states' strategies toward China. The most remarkable feature is that in all cases, regional states employ hedging strategy by combining various policy options to cope with China's rising. While hedging against its uncertain future, almost every state in East Asia are admitting China's elevated status in the region and engaging with its growing neighbor. Through these efforts, East Asian small states attempt to affect Beijing's thinking and behavior while exploiting China's political and economic growth. Explicit arms build-up or counterbalancing alignment against China is hard to find. However, tacit soft balancing with low intensity measures is taken into account among several secondary powers with

growing concerns about Beijing's possible hegemonic intention.

Among various factors causing dynamic changes and realignments in East Asia, the following five key determinants especially affect secondary powers' strategy toward China. To begin with, the continuing strategic uncertainty of the region poses serious challenges to these states thus forcing them to seek for a more diversified policy of hedging. Second, China's active engagement policy toward East Asia succeeds to mollify threat perceptions of its small neighbors and attract regional accommodation and engagement. Third, by offering alternatives for small states with its ambivalent stance toward China, US policy in East Asia has significant influence over minor powers' response to China. Also growing economic dependence on China forces many East Asian countries to avoid explicit balancing against China. Lastly, territorial disputes in East and South China Sea make claimant states involved in conflict to perceive greater threat from China, and thereby bringing them closer to tacit balancing strategy.

These findings suggest following implications for the East Asian region. First, secondary powers mentioned above are likely to maintain their hedging strategies in the foreseeable future although there may be some changes in its specific composition of policies. Major factors such as the remaining flux regional circumstances and US hedging strategy toward China have motivated these states to also choose hedging over other strategies. Second, Chinese engagement with the region and minor powers' economic dependence on China are highly increasing. This tendency is likely to underpin engagement and accommodation strategy for many secondary countries rather than a balancing one. Third, recent 'pivot' of the United States led by the Obama administration can significantly affect realignment of East Asian states. As shown in conclusion, US policy exerts a great influence within regional affairs due to its political impact and power. While specific outcomes from this 'pivot' yet remains to be seen, the great comeback of the United States with more active engagements may open a new window of opportunity for East Asian secondary powers by offering them an alternative diplomatic partner.

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