

The Asia-Pacific Order and US-China Relations

Five-University Research Collaboration Workshop

Peking University, December 10-11, 2010

Conference Report and Summary

Peking University's School of International Studies and Center for International and Strategic Studies jointly organized and hosted a workshop on "The Asia-Pacific Order and US-China Relations" from 10-11 December, 2010. The conference forms part of an on-going collaborative research project on security in East Asia between five of the world's leading universities: Korea University, National University of Singapore, Peking University, Princeton University and University of Tokyo. More than 30 leading scholars from the five universities attended the conference. The inaugural meeting of the collaborative project was held at Princeton University in 2009.

The following is intended as an overview of the key themes addressed at this year's conference. It might serve as a basis for discussion when participants reconvene at the University of Tokyo in 2011.

Assessing the Regional Balance of Power

A key topic addressed at the conference was whether, particularly since the 2008-9 economic crisis, there had been a quantifiable power shift in US-China relations and, if so, what implications it had for the Asia-Pacific region. Differing views were offered on the question of whether various incidents over the past 18 months suggested China had adopted a more "assertive" foreign policy. Participants also addressed the question of whether recent political and economic developments in the US amounted to a picture of a power in "decline".

In addressing the issue of Chinese "assertiveness", a number of opinions were put forward. Contrary to widespread suggestions, some claimed, there had been no fundamental shift in Chinese foreign policy, which remained guided by the established credo of maintaining a "low profile" internationally whilst concentrating on internal development. They argued that recent tensions in China's external relations could be interpreted differently. The surprisingly tough stance Japan took towards the East China Sea incident arguably gave China "little choice" but to respond strongly. Similarly, recent spats over territorial claims in the South China Sea could be read as evidence of greater assertiveness on behalf of Southeast Asian states as much as China. It was also suggested that the "assertive" China discourse could be a product of over-reading recent Chinese actions in-line with realist "expectations", searching for evidence to fit prescribed theories about the behavior of rising powers. The power of the "new media" in framing these understandings was also stressed.

Those supportive of the "assertiveness" thesis contrasted China's recent foreign policy choices with the "extremely intelligent and skillful diplomatic strategy" it adopted from the late 1990s to alleviate concerns about its growing power. In explaining this apparent shift, they pointed to the possibility that China was now more willing to forcefully defend its interests out a perceived reassessment of the balance of power after the economic crisis. If China's recent behavior really did reflect a new strategic orientation, it was argued, recent tensions in the region would only deepen in the future. The importance of domestic political factors in shaping these structural trends was also explored, with some pointing to the

importance of the upcoming 2012 leadership transition. It was also speculated that the PLA had become more influential within foreign policy-making, headed by a “younger generation” of leaders with no experience of war and more anti-status quo mindsets, who make military decisions based, not on national interests, but on the “capacity of what China can do”.

Whatever the depth of any shift in Chinese foreign policy, it was widely agreed that the “perception” of a more forthright China was nevertheless important. In these terms, it was noted that there had been a rise in negative perceptions of China across the region over the past 18 months. Concerns in Japan, South Korea and Southeast Asia were leading governments to strengthen their relations with the US as a hedge against a rising China. This was arguably giving rise to a “dual” regional structure, in which the economy may be driven increasingly by China but which the US continues to dominate in security terms. It was suggested that it was in China’s best interests for it to quickly “correct” the diplomatic mistakes of the past 18 months. Clear gestures in that direction would reassure its neighbors that recent events did not represent a fundamental departure from the strategy of a “peaceful rise”.

Skepticism about the idea of US “decline” was expressed at the conference. Although many admitted recent political and economic developments were not strategically helpful to the US, they cautioned against exaggerating their impact. These participants claimed that the US economy and its political model are likely to remain robust in the long-term. Caution was expressed against presuming President Barack Obama will only serve one term. The idea of a “G-2”, composed of the US and China was also dismissed, with participants noting it had proven unpopular in both countries.

Summary and Recommendations

- The Asia-Pacific is going through a process of power transition – part real, part imagined – that is giving rise to new challenges. What appears to be emerging is a dual regional structure, in which Chinese economic predominance is balanced by reinforced US security arrangements.
- Although there is disagreement about whether claims China’s new foreign policy “assertiveness” stands up empirically, the widespread *perception* of greater assertiveness is nevertheless important and in China’s best interests to better manage.
- Pessimism about short-term political and economic trends in the US should not be equated with long-term US decline. The US model is resilient and, judging by its recent “return” to Asia, remains capable of acting strategically.

Future US-China Relations

US-China relations are widely perceived to have suffered a series of setbacks after expectations were voiced that the two powers could forge a cooperative “G-2”-style relationship. Strains in the relationship had formed over the past year, with differences emerging over currency and trade policy, US arms sales to Taiwan, stances on the Korean Peninsula, and maritime tensions in the East and South China Seas. The upcoming January visit to Washington of President Hu Jintao will offer both sides an opportunity to put the relationship on a more positive footing.

It was suggested that at the core of problems in the US-China relationship were mismatched

expectations. The US has become “frustrated” with China’s behavior over the past 18 months, which some see as marking a “conservative turn” away from the type of “innovative” foreign policy that had seen China work constructively with the US in solving international issues, ranging from North Korea to Sudan, circa 2005-8. Rather than continuing to grasp global responsibilities, it was argued, China had instead reacted poorly to international challenges posed over the past two years. This was variously explained as a consequence of rising nationalism, transition politics, and an overriding prioritization of internal issues that makes China either reluctant or unable to craft a global or regional security strategy.

In contrast to this pessimism, others suggested that it was important to remember the progress in US-China relations over recent decades rather than dwell on immediate problems. US engagement of China had undoubtedly been a force for positive change, with the two economies now deeply interdependent. A degree of strategic mistrust would inevitably arise between a hegemon and a rising power – particularly two with such different political systems – but the overall trends were not overwhelmingly negative.

Participants probed the notion of whether a “grand bargain” could be fashioned in the Asia-Pacific between the US and China. This would involve China respecting the security role of the US in the region and the US exercising “strategic tolerance” towards China’s rise as its own influence itself declines. There was no clear consensus on this subject. But it was suggested that before any bargain could be struck, both the US and China first need to agree a set of “basic rules” in order to manage the relationship before addressing deeper questions of strategic intentions. In the absence of sustained military-military relations, that will remain very difficult.

Summary and Recommendations

- The US-China relationship became strained in 2010, correcting after arguably overstated expectations. Current pessimism, however, should be weighed against the positive long-term development of the relationship and hopes for President Hu’s upcoming visit to the US.
- Many problems in the bilateral relationship stem from a sense of mismatched expectations, with China refusing (or unable) to comply with the “responsible stakeholder” role crafted for it by the US.
- Any steps towards a future US and China “grand bargain” depend, in the short-term, on developing a shared set of rules, sustained military-military contacts and the continued expansion of educational and cultural exchanges.

Regional Reactions to Shifting Power

Discussion at the conference looked to address how changes in the US-China relationship were affecting the strategic postures of other states in the Asia-Pacific region. Most argued that there were shifts in regional security dynamics over 2010, with many stressing the strengthening of military and security ties between the US and its regional allies. This was contrasted with the positive trends towards greater regional institutionalization and the reduction of tensions over hotspot issues such as Taiwan and North Korea over the past decade.

Participants noted that many regional states had begun to rethink some of their assumptions

about China's "peaceful rise" in light of events over the past year. Japan was increasingly concerned about growing Chinese "assertiveness" in the region, fed the Diaoyutai (Senkaku) Islands incident and provocative comments from senior members of the PLA. South Korea had been disappointed by China's muted response to the Cheonan and Yeonpyong incidents and concerned by evidence of China's strengthened ties with North Korea. Levels of mistrust towards China amongst Southeast Asian states were also growing, particularly in the context of recent spats over the South China Seas. In response, Japan, South Korea and some ASEAN states had strengthened their relations with the US in a move that one participant argued amounted to a "reintensification of Cold War security ties", particularly in Northeast Asia.

Many participants, however, pointed out that this did not represent a design to "contain" China. Indeed, the biggest fear of many governments in the region is that heightened strategic competition between the US and China would destabilize the Asia-Pacific, forcing states into the unenviable option of having to "take sides". The size of the Chinese economy and its deep penetration across the region would also make any such strategy undesirable. Strengthening security relations with the US has been a response to specific provocations – such as North Korean actions – and a way of gently hedging against any potentially negative ramifications of China's growing power. There remains a desire, particularly in Southeast Asia, to ensure that the US remains strongly engaged in the region, where it is seen as playing a key "balancing" role.

A lot of discussion focused on how to improve interactions in the region in order to mitigate negative trends over the past year. It was suggested, for example, that China and Japan needed to make concerted efforts to resume and upgrade bilateral exchanges in order to ensure that incidents – such as that recently over the Diaoyutai (Senkaku) Islands – were not so badly handled in the future. Participants also outlined proposals for deeper regional cooperation, ranging from a South Korean-promoted Northeast Asia Peace and Security Mechanism to the institutionalization of a conflict resolution mechanism within ASEAN. Whilst suggestions were not lacking, there was no consensus on which institutional form was the most appropriate or realistic.

Summary and Recommendations

- Regional security dynamics had shifted in the past year, with many governments in the region seeking to strengthen military and security ties with the US, at least in part because of perceptions of greater Chinese assertiveness.
- This should not be read as a strategy to "contain" China but a "hedge" against undesirable eventualities. Governments in the region recognize the necessity of pursuing a policy of balanced engagement with both the US and China.
- The priority for the coming year must be to stabilize bilateral ties in the region and to explore options for greater cooperation at the tri- and multi-lateral level.

Non-Traditional Security and Economic Issues

Extensive discussion of a variety of non-traditional security issues, ranging from human rights policy to energy security and regional economic management, took part during the conference. It highlighted the importance of greater international cooperation on these issues, where there exist strong incentives for Asian-Pacific countries to work together. But discussion also brought out possible constraints to the level of cooperation, with interest-based and normative

differences between the US and China cited as one impediment to forging effective regional responses.

Analyzing the scope for US-China cooperation on “human rights abroad”, it was suggested that China’s changing stance over the conflict in Darfur was indicative of a growing awareness of the reputational costs of supporting repressive regimes, even if they are important suppliers of energy resources. It was argued that China should note the drawbacks the US suffered through its willingness to overlook human rights violations committed by its Cold War allies. That China’s stance towards human security is evolving is demonstrated by the support it lends to UN peacekeeping operations, a more flexible attitude towards issues relating to sovereignty and interference, and a growing interest in soft power. It was pointed out, however, that this remains a gradual transition; “non-interference” remains a cornerstone of Chinese foreign policy and concerns remain in Beijing about alienating traditional developing world allies.

Energy policy in the Asia-Pacific, like elsewhere in the world, is being challenged by climate change, fluctuating prices and the dilemmas of achieving economic growth without relying on fossil fuels. It was suggested that clear imperatives exist for states in the region to cooperate because of the limitations of a solely national approach and the risk that energy resources might become a major regional flashpoint. Currently, however, cooperation is impaired by the existence of multiple energy regimes, the absence of a comprehensive inter-governmental forum, and the limitations of current market-based approaches in light of the rise of “state capitalism”. The approach adopted by South Korea was offered as an ambitious way of approaching energy challenges, combining the development of renewable energy, a reduction in energy intensity, and cutting the use of fossil fuels. The Asia-Pacific has the potential to play a leadership role on energy policy, which might begin with enhancing existing R&D cooperation between South Korea, Japan and China.

On regional economic management, it was suggested that 2010 APEC meeting hosted by Japan was characterized by some positive results alongside broader “setbacks”. Progress was achieved in the form of an agreement on a regional growth strategy, based on the principles of inclusiveness and sustainability, and the acceleration of efforts aimed at creating a Free Trade Agreement on the Asia-Pacific (FTAAP), with the favored vehicle seemingly an enlarged form of the Trans-Pacific Partnership (TPP). Various setbacks however, such as the failure to include fixed growth strategy targets and absence of an agreed date by which to conclude the FTAAP, were attributed to the “major constraint” posed by Sino-US differences and inadequate Japanese planning.

Summary and Recommendations

- China’s shifting global interests and adaptation to global norms provides some scope for the US and others to engage it on human rights issues in third countries, such as Sudan, despite the official policy of “non-interference”.
- Forging an adequate response to challenges posed by climate change and energy security requires developing better models of global governance and deepening research, technology and investment collaboration.
- Progress on regional economic governance, particularly the development of a free trade agreement, is being stalled by differences between the US and China.

Regional Security Architecture

Building robust multilateral regional security architecture in the Asia-Pacific is widely debated and considered by some to be important to managing territorial disputes and bilateral tensions in the region. Discussion under this subject at the conference identified the challenges inherent in that task and outlined possible directions forwards. Influential in shaping the discussion conceptually were the European and ASEAN experiences of regional integration.

Different opinions were voiced about what “lessons” could be learned from the development of European Union (EU) institutions. Contrary to widespread presumptions, it was argued, European integration has not been based on notions of federalism, deep institutionalism, cultural affinity and sovereignty-pooling. It has rather been an informal inter-governmental process, in which states have agreed to cede limited economic and legal powers because it is in their national interests. Differences with Asian regionalism, which has been described as reflecting both the region’s diversity and an aversion to formal and legal mechanisms, were exaggerated. This presentation was countered by others, who asserted that the “ASEAN way” did mark a fundamentally different approach to western institution-building in its pragmatic, non-intrusive and consensus-based nature.

Various reasons were offered for the failure to build more comprehensive, EU-like regional institutions in Asia. Some emphasized structural factors, such as the difficulties of building regional security architecture in the context of Sino-US competition. Neither great power is capable of driving deeper institution-building, with China insufficiently trusted in the region and the US content to maintain its traditional “hubs and spokes” alliance-based system. Others identified the dynamics of internal politics as a more important factor. Asian governments have not committed to the liberalizing reforms required for integration because they are unwilling to loosen their control over domestic economic and legal policy. The failure to resolve territorial disputes in the region – presumably a precondition to developing comprehensive regional security architecture – also reflects the sensitivities of Asian governments, reliant on popular nationalism, to make public compromises. This combination of structural and internal factors means that most did not predict any imminent moves towards greater regional multilateralism, with the notion of a “great power concert” instead offered as a more realistic way of preserving stability in the region over the medium-term.

Despite this pessimism, participants identified potentially fruitful ways through which regional institution-building might be encouraged. Important was the introduction of confidence-building measures aimed at developing mutually accepted rules of conduct and understanding to guide, for instance, policy towards North Korea and various maritime disputes. It was suggested that states should continue to deepen cooperation over trade liberalization and institution-building through ASEAN and under the East Asian Summit. Alternative approaches to the problem included the adoption of a more “bottom-up” perspective to regionalism, which looks to the growing role played by Asian civil society and NGO actors in fostering ideas and norms – such as those related to human security – that have arguably been neglected by state elites.

Summary and Recommendations

- Determining the “lessons” to be learnt from the history of European integration depends on whether one judges the “ASEAN way” as exceptional. If not, plausible ideas might be drawn from the European experience, which may not be as federalist a project as normally imagined.

- Efforts to build regional security architecture are circumscribed for a variety of reasons, including Sino-US rivalry, the perseverance of territorial disputes, and the domestic political preferences of governments in the region. These factors make it unlikely that any decisive steps towards building a regional security community will be taken in the immediate future.
- Measures to improve regional security can nevertheless be adopted, even if they do not together yet meet the standards of “community-building”. More inter-state confidence-building measures should be introduced and financial and trade cooperation deepened. Greater attention should also be given to “bottom up” approaches to regionalization, including fostering and supporting the work of civil society actors working on non-traditional security issues.