

# CHAPTER 1

## THE PUZZLE AND CHINA'S AMAZING RISE

### THE PUZZLE

In 2006, Chan Heng Chee, Singapore's ambassador to the United States, gave a speech in Houston, Texas, about relations between China and the Association of Southeast Asian Nations (ASEAN). She began her largely positive assessment by discussing the fifteenth-century Ming dynasty's peaceful relations with Southeast Asia, noting, "Dynastic China's relations with Southeast Asia were to a large extent based on 'soft power.' . . . It was China's economic power and cultural superiority that drew these countries into its orbit and was the magnet for their cultivation of relations." She concluded her speech by saying, "there is one message I would like to leave with you today: that there is much optimism in Southeast Asia."<sup>1</sup> Although Singapore is often viewed correctly as one of the closest allies the United States has in East Asia, Ambassador Chan's remarks reveal the complexity and depth of East Asian states' relations with both China and the United States.

Singapore's situation reflects a pattern that has occurred throughout East Asia over the past thirty years. As a region, East Asia since 1979 has been more peaceful and more stable than at any time since the Opium Wars of 1839–1841. Only two states, Taiwan and North Korea, fear for their survival. Furthermore, East Asian states have become increasingly legitimate and stable; they have strengthened regional multilateral institutions; and they have increased their bilateral economic, cultural, and political relations. During that time, China has rapidly emerged as a major regional power, averaging over 9 percent economic growth since the introduction of its market reforms in 1978. Foreign businesses have flocked to invest in China, while Chinese exports have begun to flood world markets. China is modernizing its military, has joined numerous regional and international institutions, and is increasingly visible in international politics. At the same time, East Asian

states have moved to increase their economic, diplomatic, and even military relations with China.<sup>2</sup> China appears to have emerged as a regional power without provoking a regional backlash.

Why have East Asian countries accommodated rather than balanced China's rapid economic, diplomatic, and political emergence over three decades? Why has East Asia become increasingly peaceful and stable in that time? This book makes two central arguments. First, East Asian states are not balancing China; they are accommodating it. This contradicts much conventional international relations theory, which says that the rise of a great power is destabilizing. Second, this accommodation of China is due to a specific constellation of interests and beliefs—a particular mix of identities and the absence of fear. Identities are central to explaining the sources both of stability and of potential instability in East Asia, but not to the exclusion of the relative capabilities and interests that traditional realists champion.

Accurately describing East Asia is a critical first step toward explaining how the region came to be as it is. Taiwan is the only East Asian state that fears the Chinese use of force, and no other East Asian state is arming itself against China nor seeking military alliances with which to contain China. Although state alignment strategies are often posed as opposites—military balancing against an adversary, or bandwagoning with the stronger power in hopes of gaining benefits or neutralizing the threat—as a strategy, accommodation lies between these poles. While not balancing China, East Asian states are not bandwagoning with it in all areas, either, and have no intention of kowtowing. East Asian states also vary in their strategies toward China—Japan is far more skeptical of Chinese power than is Vietnam, for example.

The absence of balancing against China is rooted in interests as well as identities. In terms of interests, rising powers present opportunities as well as threats, and the Chinese economic opportunity and military threat for its regional neighbors are both potentially huge. Yet East Asian states see substantially more opportunity than danger in China's rise. Furthermore, the East Asian states prefer China to be strong rather than weak because a strong China stabilizes the region while a weak China tempts other states to try to control the region.

Identity is also central in framing how regional states interpret China's rise. East Asian states view China's reemergence as the gravitational center of East Asia as natural. China has a long history of being the dominant state in East Asia, and although it has not always had warm relations with its neighbors, it has a worldview in which it can be the most powerful country in its region and yet have stable relations with other states in it. Thus to East Asian observers and other states, the likelihood that China will seek territo-

rial expansion or use force against them seems low. Most see China as desiring stability and peaceful relations with its neighbors.

Although those East Asian neighbors share a common lack of fear regarding China, each relationship with China is distinct. Taiwan is a good example. Few claim that China threatens Taiwan as part of an expansionist strategy, or that control of Taiwan would tip the balance of power in the region. Taiwan is not an issue because of power politics; it's an issue because of competing conceptions of whether Taiwan is an independent, sovereign nation state, or whether it is a part of China. For China, the question is nation building, not expansion. Thus Taiwan is not an exception to the general trend in East Asia; it is categorically different from other states. While formally the United States and most other nations agree with China's claim, privately many view Taiwan as "obviously" an independent nation-state, with its own government, currency, economic system, and culture. As a result of this disagreement over Taiwan's identity, Taiwan's status remains an issue in international politics.

Regarding the rest of East Asia, China claims—and East Asian states increasingly believe—that its continued economic growth and domestic stability are predicated on deep integration with, and openness to, the regional and international economies. This grand strategy is often called "peaceful rise."<sup>3</sup> Indeed, the Chinese Communist Party's main claim to legitimacy is its economic record. China realizes explicitly that it would gain very little from starting conflicts with its neighbors but has much to gain from warmer ties.<sup>4</sup> As the best way to advance its interests, "peaceful rise" represents a pragmatic choice. But determining whether this strategy is merely tactical or whether it represents the true nature of China involves an assessment of its identity. In this respect, then, China's concern for sovereignty and nation building is arguably more important to its identity than are nationalistic memories of a "century of shame."

The East Asian states tend to share a view of China that is more benign than conventional international relations theories might predict. South Korea's foreign policy behavior is perhaps the most vivid example of this. Although China could threaten South Korea militarily, and North Korea actually does threaten South Korea, capitalist and democratic South Korea itself seems eager to embrace communist and authoritarian China and North Korea. Furthermore, South Koreans appear to feel more threatened by potential Japanese militarization than they do by actual Chinese military power. This has caused consternation and even anger in Washington because South Korea appears willing to pursue this strategy to the detriment of relations with its longtime democratic ally and protector, the United States.

Much of South Korea's approach to regional relations is based on its interest in avoiding a costly war or a collapse of the North Korean regime, which would directly harm South Korea. However, the key to explaining South Korea's seemingly perplexing foreign policy lies in Korean national identity. For many Koreans, their single most important foreign policy priority is unification of the divided peninsula, and this has led the South to prioritize economic engagement with North Korea and the integration of the peninsula as more important than pressuring the North over its nuclear weapons and missile programs. Indeed, both China and South Korea agree that engagement is the proper strategy to follow with North Korea, in contrast to the United States, which in the early twenty-first century focused on eliminating North Korea's nuclear and missile programs through a strategy of coercion and isolation. Furthermore, Korea has had a long history of close and stable relations with China and, in contrast, has not fully resolved its difficult relationship with Japan. Although South Korea has no intention of returning to the subservient role with China that it played for centuries, it also has little fear of Chinese military aggrandizement. South Koreans view peaceful relations with China as normal, and they are rapidly increasing cultural, economic, and diplomatic ties with China.

Southeast Asia also has a long history of stable relations with China, and in the present era all the states of Southeast Asia are rapidly deepening their economic and political relations with China. Southeast Asians also do not fear Chinese use of force, and their militaries are overwhelmingly focused on border control and internal defense. Even on issues such as the contested ownership of the Spratly Islands, the trend has been toward more cooperation, not less. Indeed, the Chinese, Vietnamese, and Philippine national oil companies are currently engaged in joint exploration in the Spratlys, and all the major claimants have formally agreed not to use force to settle their disputes. While much of this can be explained with reference to economic interdependence, the member states of the ASEAN and China have similar views about respecting sovereignty and about noninterference in national matters. The countries of Southeast Asia also have deep ethnic, cultural, and historical ties with China. This affinity, most notable in the extensive Chinese ethnic minorities in Southeast Asia known as the "bamboo network," is not only responsible for significant investment in China, it is also helping create a regional economy where Chinese growth and East Asian growth are thoroughly intertwined.

Japan's identity crisis lies at the heart of its foreign policy, best exemplified by the decades of speculation about whether or not it could become a "normal" nation. Because postwar Japan did not pursue military or diplomatic

policies commensurate with its economic power, observers within and outside of Japan have been unsure about whether this was temporary or permanent, and remain unsure about how Japan views itself and its role in the region. Japan is the one country in the region that has the material capability to challenge China, and Japan remains the most skeptical East Asian country regarding China. Japan will not lightly cede economic dominance to China, and it also remains unsure of Chinese motives. The course of Japan's grand strategy is in flux, and debate within Japan centers on how it should respond to China, on how it can best manage its alliance with the United States, and how it can balance the needs both for military power and economic wealth.

However, the East Asian states do not expect Japanese leadership in the region, and Japan itself is unsure about what its role in Asia should be. There is little in Japanese history, institutions, or worldview that would lead to the conclusion that it will attempt a leadership role today. Even after Japan became the world's second-largest economy, it did not challenge U.S. predominance but rather embraced it through a close security alliance. And Japan failed to translate its economic advantage into regional political leadership or even sustained goodwill with its neighbors. Despite Japan's more assertive foreign policy in the past few years, it remains deeply entwined in its alliance with the United States and is unlikely to directly compete with China by itself.

Finally, U.S. power complicates but does not fundamentally alter these East Asian dynamics. The United States remains the most powerful nation in East Asia, and all states—including China—desire good relations with it. Decisions the United States makes will have an impact on East Asian regional stability, and the United States has been increasingly debating its stance toward China. However, even the United States has not yet chosen an outright balancing strategy, and it is thus unsurprising that East Asian states also have not. Furthermore, East Asian states have generally not been eager for greater U.S. military deployments in the region, precisely because they view such deployments as the beginnings of a containment coalition against China. East Asian states also do not wish to be caught in the middle of a China-U.S. competition, and they do not want to be forced to choose between the two countries.

East Asian peace, stability, and accommodation of China is a puzzle because international relations theorists have traditionally associated the rise of great powers with war and instability.<sup>5</sup> Indeed, those scholars who emphasize material power—both military and economic—have long predicted that East Asian states would fear China and balance against it. Realism in all its variants, with its emphasis on balance of power politics, has had the most

consistently pessimistic expectations for East Asia. In 1993 Richard Betts asked, “Should we want China to get rich or not? For realists, the answer should be no, since a rich China would overturn any balance of power.”<sup>6</sup> Twelve years later, John Mearsheimer confidently asserted that “China cannot rise peacefully . . . Most of China’s neighbors, including India, Japan, Singapore, South Korea, Russia, and Vietnam, will likely join with the United States to contain China’s power.”<sup>7</sup>

Rival power-based theories have performed no better in their predictions. Those who argue that China’s increased economic interdependence with the world will constrain its behavior are skeptical that this by itself can solve the security fears of East Asian states.<sup>8</sup> As John Ikenberry writes, “Economically, most East Asian countries increasingly expect their future economic relations to be tied to China . . . Can the region remain stable when its economic and security logics increasingly diverge?”<sup>9</sup> Although pragmatic interests are part of the explanation for East Asian stability, by themselves economic interests do not explain the variation in relations in East Asia. Indeed, increased economic relations between China, South Korea, and Japan have not had a noticeable impact on their political relations. Even power transition theorists argue that the most likely chance for conflict is in the context of a rapidly rising power. For example, Robert Powell writes that “rapidly shifting distribution of power combined with the states’ inability to commit to an agreement can lead to war.”<sup>10</sup>

In contrast to these power-based expectations, there is a vibrant body of work by scholars who specialize in East Asia that emphasizes the role of ideas in explaining aspects of East Asia international relations. Alastair Iain Johnston has argued that China is a status quo power, and that it is being socialized into the international system. Peter Gries explores Chinese nationalism and its effect on foreign policy, arguing that there is more to Chinese nationalism than merely memories of a “century of shame.” Allen Carlson shows that Chinese conceptions of sovereignty have been changing during the reform period. Peter Katzenstein has studied East Asia’s emerging regionalism and Japan’s role within it, while Thomas Berger explores Japan’s culture of antimilitarism. Studying Southeast Asia, Amitav Acharya has argued that a regional identity exists and has tangible consequences for regional cooperation.<sup>11</sup> As valuable as this work is, none of these authors have directly addressed what is arguably one of the biggest and most important issues for both scholars and policymakers in contemporary international relations: the consequences of China’s rise in East Asia. This book aims to fill that gap.

Directly explaining why East Asian nations have accommodated China’s rise, and why balance-of-power politics has not emerged, is important theo-

retically because it is interests and identity, not power, that are the key variables in determining threat and stability in international relations. Much scholarly discussion of China and East Asia has been unduly constricted in its explanatory power by remaining locked into a method that parses differences between various shades of realists and liberals, even as these same analyses emphasize factors such as historical memory, perceptions of China, and the beliefs and intentions of the actors involved. The debate over China's rise and what it means for international politics will most likely continue well into the future, and defining the terms of the debate is a critical first step in that process. The theoretical framework provided here helps to sharpen these seemingly endless paradigmatic debates by posing the central issues more clearly, isolating the important causal factors, and making falsifiable claims.

Identity is more than merely the sum of domestic politics; it is a set of unifying ideas that focus primarily how a nation perceives the world around it and its place within it.<sup>12</sup> Gilbert Rozman defines national identity as “a statement of the uniqueness of a particular nation-state, investing it with authority and separating it from other states that may seek to influence it.”<sup>13</sup> National identities are constituted through two basic means: current interactions between countries, and the narratives that they tell about their national pasts.<sup>14</sup> That is, nations do not exist in myopic isolation from other nations, and identities are constructed in the context of their histories and current interactions. Thus ascertaining what is China's identity, what it cares about, and how other East Asian states view it is possible only by taking the East Asian experience on its own terms.

This book's central focus on identity does not preclude acknowledging other causal factors. Pragmatic interests over specific issues have an immediate impact on state relations, and I note their impact throughout the book. Military and economic power are also important, by providing the constraints within which states make choices. Indeed, some “defensive realists” are fairly optimistic about the future of East Asia, emphasizing nuclear deterrence and geography.<sup>15</sup> However, more important than power itself is what states want to do with that power. By incorporating the role of interests, identity, and power into our explanations, I build on an emerging tradition that looks for interconnections between causal factors, rather than isolating one factor at the expense of others. As Peter Katzenstein and Nobuo Okawara have written, “The complex links between power, interest, and norms defy analytic capture by any one paradigm. They are made more intelligible by drawing on different paradigms. . . .”<sup>16</sup>

Critics respond to explanations for East Asian stability by claiming either that East Asian states are too small to balance China, or that thirty years is

not enough time to see balancing emerge.<sup>17</sup> Yet both these rejoinders are ad hoc arguments resting on an assumption of fear that is empirically unfounded; and they are an admission by realists that their theories do not explain East Asia. Most importantly, the assertion that small states inevitably fear larger states is contradicted by a large body of scholarship that probes whether and when this might be the case.<sup>18</sup> Empirically, small states rarely capitulate in the face of overweening power. North Korea continues to defy intense U.S. pressure, Vietnam fought China as recently as 1979 when their interests diverged, and the Japanese started a war with the United States they knew beforehand that they could not win, and continued to fight long after the outcome was certain.<sup>19</sup> At a minimum, the onus is on those who argue that East Asian states are too small to balance, to show empirically that these states actually fear China, that these states searched all available internal and external balancing options, and ultimately decided that capitulation was the best policy to follow. Anything less is not a serious analytic argument, but rather an admission by realists that their theories about balance of power do not apply.

The rejoinder that balancing will happen in the future has similar theoretical problems. Realists themselves argue that states are highly concerned with future possibilities and prepare for those contingencies today—indeed, the core of the security dilemma derives from fears of the future even if the present is peaceful.<sup>20</sup> In less than three decades China has gone from being a moribund and isolated middle power to being the most dynamic country in the region, with an economy that shows many signs of continuing to grow. By realist standards, China should already be provoking balancing behavior, merely because it is already so big and its potential rate of growth is so high. Yet as this book will show, this dramatic power transition has evoked little response from its neighbors. Five or even ten years of Chinese growth would be too early to draw conclusions; but as decades accrue, the argument that balancing is just around the corner becomes less plausible. Furthermore, this rejoinder—like that of “too small to balance”—also assumes fear on the part of smaller states, a highly questionable assumption in general and certainly with respect to East Asia. Beliefs of states must be empirically demonstrated, not asserted. As this book will show, fear is not the dominant attitude toward China. Thus it is a fair and important question to ask why East Asia has not already balanced China.

However, even though most major trends over the past three decades have led to more stability and cooperation in East Asia, there is no guarantee that those trends will continue indefinitely. Indeed, any discussion about China and East Asia's past and current relations invites speculation about

what the future might hold. Most important for this book is to note that concerns about how China might act a generation from now center on identity, not power. That is, much of the speculation about China's future course focuses on the consequences that might follow if China becomes a democracy, how the Chinese Communist Party might evolve, and how Chinese nationalism and its interactions with other states will evolve—all of which are aspects of national identity. However, this book is not an attempt to predict the future, it is concerned with explaining outcomes of the past decades. The policies that China, the United States, and East Asian countries take today will affect how the region evolves. The security, economic, and cultural architecture of East Asia is clearly in flux, and how China and East Asian states might behave in the future when circumstances are fundamentally different is an open question, and an exercise with limited intellectual utility.

A final important issue is to actually define the region itself. This book takes as its locus of inquiry the East Asian region, defined as the states of Northeast Asia (mainly Japan, China, and the two Koreas) and Southeast Asia (mainly Taiwan, the states of ASEAN, and Australia and New Zealand). Defining what comprises the region is of more than semantic interest, because we would expect that the processes within the region would be different from those outside of it, and that states would interact differently with states inside or outside of the region. That is, the pattern I elucidate in this book is occurring only in East Asia, and extra-regional states such as India and Russia do not have the same basic views or interests as those within East Asia itself.<sup>21</sup> While extra-regional states often interact with those in East Asia, their main concerns and issues are different. As chapter 8 will discuss in greater detail, one major question about the United States is whether it is, in fact, an East Asian state, or whether it is a global actor with regional interests.

Events within the region can have an impact on states outside of it, but those events are not of primary concern to extra-regional states. Okawara and Katzenstein write that “regions are combinations of physical, psychological, and behavioral traits.”<sup>22</sup> As Robert Ayson notes, “The widely inclusive membership of the Asia Pacific Economic Cooperation (APEC) is too wide to be analytically useful, including as it does Latin America as well as those states in East Asia.”<sup>23</sup> Barry Buzan and Ole Weaver define regional security complexes as a set of “geographically proximate states . . . [characterized by] the relative intensity of security interdependence among a group of units, and security indifference between that set and surrounding units.”<sup>24</sup> That is, in a region, the units are primarily focused on the interactions and issues that occur between the units, and relatively less concerned with issues that occur outside that set of states.

For example, some scholars have argued that India is an East Asian state.<sup>25</sup> However, India is first and foremost concerned with its relations in South Asia, most notably the Indo-Pakistani relationship. India, like other nonregional actors, has no direct impact on the major issues in East Asia, such as the future of Taiwan or the North Korea nuclear problem. Furthermore, although India has increasingly joined some East Asian regional institutions such as the East Asia Summit, its influence in the region remains peripheral at best. As will be discussed below, if Indian economic growth continues over the next few decades, it is possible that India will become a major actor in East Asia. For the time being, however, its influence is more prospective than actual, and thus we would not expect India to interact with China in the same manner as East Asian states, which must account for China directly and daily.

### **CHINA'S AMAZING RISE**

Although China is unlikely to replace the United States as the most technologically advanced and militarily dominant country in the world within the foreseeable future, this does not mean China is weak. China is already very strong and very big, and centrally situated in East Asia. By virtue of its population, geography, economic growth, and military power, China is already a major actor in East Asia, and by some measures it is already the largest and most powerful.

Measuring China's size is difficult, and estimates vary widely. From 1978 to 2003, China averaged 9.7 percent growth, while Japan averaged 1.2 percent.<sup>26</sup> The World Bank estimates that from 1978 to 2005, Chinese economic growth lifted 402 million people out of poverty (defined as living on one dollar a day)—the largest poverty eradication in history.<sup>27</sup> The CIA uses a purchasing power parity estimate (PPP), which produces a 2005 Chinese gross domestic product (GDP) of \$8.85 trillion, versus \$4.01 trillion for Japan. PPP reflects the price of a commodity (or a bundle of commodities) that is the same between countries, when expressed in a common currency. The exchange rate used in converting GDP of one country to another for the purpose of inter-country comparison does not normally reflect the purchasing power parity (PPP), because many commodities are not traded internationally. Measured by exchange rates, China's economy in 2005 was \$2.22 trillion, compared to \$4.50 trillion for Japan.<sup>28</sup> Using exchange rates to compare across countries has its problems, as the Organisation for Economic Co-operation and Development (OECD) notes, "primarily because exchange