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Editor-in-Chief

Chien-wen Kou

National Chengchi University



INSTITUTE OF INTERNATIONAL RELATIONS
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Introduction to the Special Issue — The Asia-Pacific Middle Powers’ Strategic Options in the Era of China–US Rivalry

CHIUNG-CHIU HUANG AND CHIEN-WEN KOU

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Since the beginning of the 21st century, there has been a flood of discussions and debates about rivalry between China and the United States. China’s rise has brought monumental changes to the global arena, and international actors in the Asia-Pacific feel the impact the strongest. The trade war between China and the US that began in 2018 has once again redirected the discipline of International Relations (IR) toward rivalry between great powers. The analogy of the Peloponnesian War is frequently being applied to discuss the essence of China–US rivalry and predict its potential outcomes. While most have recognized the importance of this competition, its inevitable influences must be further investigated and analyzed from the perspectives of other actors in the international arena.

In this series, we argue that the gestures and positions adopted by lesser powers in the Asia-Pacific have undergone a great adjustment due to the intensifying competition between China and the US. Among all the relatively weaker actors in the region, our series pays special attention to *middle powers* for programmatic reasons. First, middle powers are not just defined by size, capability, or a state’s self-identification. There is a new approach in which middle powers have been re-conceptualized as “international stabilizers” (Jordaán, 2017). This new perspective observes that the strategic options of middle powers in the face of great-power competition represent the preferences of most states in the international arena because maintaining the stability

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of the international environment suits the interests of most nations on Earth. Second, to maintain the stability of the international environment, middle powers have to be more cautious and tend to adopt more moderate approaches when evaluating changes and challenges in the international system. We assume that investigating the strategic thinking of middle powers in the Asia-Pacific can aid us greatly in foreseeing potential developments in the current great-power rivalry and possible responses of the international community in the region.

We begin this Special Issue by discussing the background of the competition between the Belt and Road Initiative and the Indo-Pacific Strategy, the two trans-regional projects being promoted by the two rivaling great powers. Domestic conditions and existing ties with either great power have driven the Asia-Pacific middle powers to develop diverse strategies. In this series, the authors analyze the above-mentioned issues from different angles and through diverse approaches. Nevertheless, each of their works is directed toward understanding new global order in which great-power rivalry has reshaped the distribution of power and redefined the functions of regimes and roles of states, including middle powers, in global politics.

To begin with, one must recognize that the format of today's great-power rivalry differs greatly from the Cold War. After World War II, the confrontation between the Soviet Union and the US was a grand competition of different ideologies and antithetical designs of international order. However, the current China–US rivalry is not so much about political ideologies. China has been a crucial beneficiary of the existing international order built by Western great powers after the Cold War, and Beijing's reform and opening-up policy that began in 1978 has made this oriental dragon very acquainted with capitalism and the global market system. Such a difference reveals a change in the essence of great-power rivalry — the powers are confronting one another while maintaining a high degree of interdependence. This phenomenon has made predicting the future development of great-power rivalry more challenging than ever.

The beginning part of this series pictures the evolution of great-power rivalry and its impact on middle powers in the Asia-Pacific. **T. J. Pempel's** article follows the thread of historical analyses and depicts the challenges and dilemmas the Asia-Pacific middle powers face under the current China–US competition. **Pempel** is especially concerned with the antagonism between the two great powers that intensified after Xi Jinping and Donald Trump came to power. He points out that strengthening regional economic ties and defending multilateral institutions have become the main strategic options adopted by Asia-Pacific middle powers. Nevertheless, tension inevitably exists among the multiple trends in the region. While **Pempel** focuses more on the impacts of

Washington and Beijing on the middle powers, **Brian L. Job**'s article emphasizes the latter's perspectives and feedback on the influence of the new great-power rivalry. His work provides a concise yet limpid introduction to the evolution of this concept. By so doing, **Job** clearly demarcates the definition of middle powers and depicts their roles, providing a solid foundation for him to further investigate and analyze dilemmas faced by middle powers in the era of great-power rivalry. The case studies in **Job**'s article include South Korea, Australia, and Canada, which are the three major middle powers in the Asia-Pacific region.

To further understand how this new great-power rivalry has shaped the foreign policy orientation of middle powers in the region, **Yoshihide Soeya** points out a new analytical approach and potential solutions for middle powers in Asia-Pacific. His article asserts that the Asia-Pacific middle powers should follow a redefined "Asian-centered" concept and related approaches that incorporate more external players into the region and transform the way in which they cooperate. For **Soeya**, this is a better solution for the Asia-Pacific middle powers to manage their relations with both the United States and China during this power shift. **Soeya** emphasizes that cooperation is the most crucial survival strategy and will strengthen common ground among middle powers. He argues that no matter how precarious the futures of states in the region become due to great-power rivalry, a more Asian-centered form of cooperation would guarantee the interests of the majority in the long run.

On the other hand, **Vinod K. Aggarwal and Andrew W. Reddie**'s work utilizes the concept of "economic statecraft" to analyze how middle powers in the Asia-Pacific region develop strategies in response to great-power competition. Their article is designed to complement the so far missing insights of international political economy in analyzing great-power rivalry and the security options of middle powers. The authors explore how trade, investment, and industrial policy represent critical tools of new economic statecraft and provide evidences from rising, established, and middle powers to develop these points. They argue that new economic statecraft is a helpful concept for understanding how middle powers navigate great-power rivalry by linking economic externalities with security objectives in both their domestic and foreign policies.

Last but not the least, the paper co-authored by **Hsin-Hsien Wang, Shinn-Shyr Wang, and Wei-Feng Tzeng** proposes another new approach by observing differences in the trade dependences of Asia-Pacific middle powers on the US and China and differences in their voting behaviors relative to either great power. Based on the results of their investigation, the authors further examine the rationales and outcomes of middle powers' strategies. This article quantifies the strategies of the Asia-Pacific

middle powers and other regional lesser powers in the era of China–US competition and further examines whether variations in their strategies follow the expected pattern. The authors conclude that countries in the middle of the spectrum of state power demonstrated greater freedom in their choice of strategies. The many cases that were analyzed and contrasted in this article provide a broader picture for the readers to understand the risks faced by lesser powers in the Asia-Pacific.

In sum, this series provides diverse perspectives to answer the key question of how Asia-Pacific middle powers are able to manage the new great-power rivalry. It is worthy of note that while we do not intend to provide a single and consistent definition of middle powers in this Special Issue, the authors have generally reached a consensus on which countries count as middle powers in the Asia-Pacific. Though each article in this series investigates the issue from a different angle, they share a common goal of finding a better solution for coping with China–US rivalry and maintaining the stability of international order. We expect the readers to gain inspiration from each article’s unique approach and the insightful perspectives of the authors. The strategic options of Asia-Pacific middle powers in the face of US–China rivalry is an issue of great importance, and this Special Issue is meant not only to reveal its complexity but also to offer new approaches to deepen our understanding of the topic.

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Asia's Lesser Powers Confront US–China Threat to the Regional Order

T. J. PEMPEL

Tensions between the United States and China have been on the rise under Xi Jinping and Donald Trump, challenging longstanding regional moves to peace and prosperity. In response, a number of less powerful East Asian states have taken steps toward deeper regional economic ties and multilateral institutions. This paper analyzes these competing tensions and their implications for the Asia-Pacific regional order.

KEYWORDS: Trump; Xi; regional order; peace; economic dynamism; lesser powers.

* * *



The United States and China are by far the two most powerful states in the Asia-Pacific. Under the administrations of Donald Trump and Xi Jinping, these two states have been threatening to upend the regional order, reignite a 21st-century Cold War, and enhance the likelihood of economic clashes and confrontations that could become even more lethal. No shortage of both academic studies and popular punditry have analyzed the bilateral relationship and its potential for regional disruption (see, *inter alia*, Allison, 2017; Boustany Jr. & Friedberg, 2019; Farrow, 2018; Goh, 2013; Goldstein, 2005; Johnston, 2003; Kang, 2007, 2017; Mearsheimer, 2010; Navarro, 2006; Navarro & Autry, 2011; Schell & Shirk, 2019; Shambaugh, 2005; Steinfeld, 2010; Zoellick, 2005).

As tensions between these two powers rise, other states across the Asia-Pacific face unwelcome pressures to choose one side or the other. Having flourished under an earlier, less confrontational order and being ever sensitive to maximizing national advantages, foreign policymakers in a majority of other countries across the region have been resisting such a bifurcated choice. Current pressures are particularly

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nettlesome because when forced to make a binary choice, the different core national interests of countries in Asia tend to pull them in opposite directions. America has close security relations with Japan, South Korea, Taiwan, and Australia, and positive defense relations with a host of other countries in the Asia-Pacific. Yet, virtually all Asian countries now count China as their foremost trading partner. Clearly, any binary choice between the US and China must threaten either their security or economic well-being.

This paper addresses this evolving regional picture by proceeding in three parts. The first part examines the period between the end of the Cold War and the rise in US–China tensions (roughly 1990–2010), arguing that despite numerous points of friction in the realm of security, military peace and enhanced prosperity were the predominant traits of the regional order. As the Asia-Pacific has been a core component of the broader global liberal order (Ikenberry, 2011), most countries across the region have benefited from it greatly and are anxious to prevent its demise. The second part examines the resurgence of geopolitics, marked most dramatically by increasing nationalism and xenophobia as well as an increased reliance on military assertiveness by both China and the United States under Xi and Trump. The third and final part examines how a number of regional states, particularly the more powerful among them, are taking further actions to avoid zero-sum choices between the US and China and unwelcome tradeoffs between their economic and security interests. In the process, they are acting strongly to retain and enhance the regional and global liberal orders from which they have derived substantial benefits.

Peace and Prosperity in the Asia-Pacific

Political relations across the Asia-Pacific were fraught with deep security fissures during the Cold War. Economic interactions mirrored this sharply bifurcated contestation in security, as economic friendships and animosities reinforced one another. Friends traded with friends and little trade or investment bridged the bipolar abyss that separated capitalist from communist regimes. Integral to this bipolar system was the disproportionate export dependence on the American market by all of America's allies and close partners. To the extent that periodic challenges threatened to separate economics from security, US pressures along with a degree of head cracking by political and business elites normally managed to reinforce them. Bipolarity in East Asia was integral to America's larger global strategy. Its allies and partners like Japan, Korea,

Australia, and Taiwan played active roles at both the global and regional levels, even if only as junior partners (Katzenstein, 2005).

Things began to shift following the Nixon–Kissinger visits to China, America's loss of the war in Vietnam, and the expanding power and mobility of global finance. At least temporarily, the normalization of diplomatic ties between Japan and China in 1972 and in 1979 between China and the US tamped down the mutual animosity, mistrust, and saber rattling that had characterized regional relations since the communist victory in 1949. Following the reforms of 1979, China embarked on a new economic policy paradigm focused on rapid economic development, expanded exports, reduced reliance on state planning, and a welcoming of foreign direct investment (FDI).

As bipolar security tensions abated, a number of countries in East Asia became both economically more robust and freer to explore alternative paths to development, no longer burdened by pressure to camouflage domestic economic choices as congruent with the ideological dictates of "capitalism" or "communism." Other regional examples of economic success, South Korea, Taiwan, Singapore, Hong Kong, China, and a number of Southeast Asian countries began emulating one another's tactics and sprouting green shoots of economic development in a cascading sequence following Japan's initial dynamic economic breakout (see, *inter alia*, Overholt, 2007; Pempel, 2005; Ravenhill, 2014; Solingen, 2007; Stubbs, 2017).

During this period, rapid improvements in communication and transportation facilitated the modularization of industrial production and the consequent ability for companies to diversify discreet corporate functions such as design, manufacturing, packaging, wholesaling, and retailing. It became both possible and profitable for corporations to disperse numerous activities away from a single headquarters and into multiple locations chosen to maximize effectiveness and efficiency, thereby boosting market access and bottom-line profitability. The evolving mantra became "move the product, not the factory." Vast sums of globally mobile capital facilitated these trends. Truly multinational production networks proliferated across the Asia-Pacific, enhancing economic growth and deepening economic interdependence among national economies (see, *inter alia*, Ravenhill, 2014; Stubbs, 2017; Yeung, 2016).

The concept of national security in a bipolar world had given military protection the highest priority and cemented it to economic growth, making the two an integral whole. To the extent that economics contained security dimensions, hard security considerations typically prevailed. This subsidiarity of economic interests to military priorities weakened as national security gained far more nuance, particularly as countries advanced economically. The concept quickly deepened to encompass new

and multifaceted directions that included economic security, food security, environmental security, and security from pandemics and international crime. National leaders across the region began to conclude that “comprehensive national security” was too multidimensional to entrust exclusively to the military. Of particular salience to national projects of economic development, it became increasingly feasible for individual regimes to decouple military security interests and economic ones with the realization that they might often move along distinct tracks.

As the region’s security climate improved and an increasing number of countries began to engage in sustained economic dynamism, a fundamental rethinking occurred among numerous political and business leaders in Northeast and Southeast Asia. Across East Asia, there was a pervasive, if slowly evolving, embrace of the belief that economic growth could enhance a nation’s power and prestige in ways that redounded to national political cohesion as well as to the credit and benefit of the office holders’ ability to claim credit for bringing it into fruition. An increasing number began to downplay the predominance of military prowess, strongman dominance, and domestic repression in favor of national economic dynamism. Improving the economy for the betterment of the lives of their citizens emerged as a key pillar for domestic legitimacy. This trend enjoyed a parabolic rise in the 1970s and persisted for at least four decades. Overholt captures this transformation quite well: “For centuries, the principal route to wealth and power had been conquest of neighboring territory. Wealth came from seizing neighbors’ golden temples and taxing their peasants. The dawn of the Asian miracle transformed this ancient reality. Now wealth and power accrued to whoever grew the faster by reforming the domestic economy. Conversely, the arrival of modern military technology put the quest for power through war at risk of achieving Pyrrhic victories” (Overholt, 2007, pp. 18–19).

Equally apt is Solingen’s (2007) description that East Asia’s rulers “pivoted their political survival on economic performance, export-led growth, and integration into the global political economy.” Chan (2010) provides detailed country-by-country data showing the same positive pattern, as do Kivimaki (2010) and the Uppsala project on East Asian peace. The result was what Goh (2018) described as a positive spiral in which peace nurtured prosperity and vice versa.

In the process, a multitude of bilateral state relations across the region improved and remained warm well into the second decade of the 21st century. East Asian dynamics became increasingly congruent with the broader global liberal order from which most of the region’s national economies were benefiting. As bipolar divisions softened, economic ties and multilateral institutions across the region expanded. These growing linkages have been well analyzed (Bernard & Ravenhill, 1995;

Breslin *et al.*, 2007; Dent, 2003; Hatch & Yamamura, 1996; Katzenstein, 2005; Pempel, 2005; Stubbs, 2002).

As suggested elsewhere, two rather distinct processes operated in tandem. On the one hand, there was a process of *regionalization*. This involved largely bottom-up, corporate, or society-driven linkages that were predominantly independent of official governmental actions. Regionalization occurred as the forces of globalization and cross-border economic interactions played out within the geographic context of the Asia-Pacific. Among its primary manifestations were multinational production networks, FDI, export-free zones, trade, enhanced communication and transportation links, track-II dialogs, and the like. Such ties generated multiple and expanding networks, each having its own discreet boundaries and membership, with many operating independently of one another. Although official governmental actions were hardly irrelevant to such ties, the key agents advancing them were corporations, financial institutions, epistemic communities, and other non-state actors. They drew on expanded region-wide communications and transportation networks, rises in tourism, or discount airlines. While these developments initially came into play in early Japanese investments in Korea and Taiwan, they subsequently expanded to include regimes in Southeast Asia and China. Intraregional trade and investment exploded, and regional production networks and supply chains wove connective threads throughout the region.

Outgoing foreign direct investment from Japan, South Korea, Taiwan, Singapore, Hong Kong, and elsewhere fostered economic regionalization, as did subnational projects that deepened the links within what Rozman (2004) labeled “natural markets.” The cumulative result was a system of ever more complex production networks, investment corridors, growth triangles, and export processing zones that crisscrossed national borders, engendering ever more dense networks of economic interdependence and intraregional trade and investment.

Quite different was the process of *regionalism*. In contrast to the informality and private nature of *regionalization*, *regionalism* involved top-down, governmentally-driven, and formally institutionalized connections. The Association of Southeast Asian Nations (ASEAN), Asian Development Bank (ADB), Asia-Pacific Economic Cooperation (APEC), ASEAN Regional Forum (ARF), ASEAN Plus Three (APT), and the like provide familiar examples. While being part of the same governmentally-driven process but typically less comprehensive in membership and more restricted in scope, mini-lateral, problem-specific agreements among governments targeted cooperation on specific cross-border problems such as immigration, environmental pollution, drug smuggling, piracy, or pandemics. In all such cases, several governments cooperated through formal, institutionalized agreements aimed at tangible cross-border problems.

Unlike the European Union (EU) with its clearly demarcated and fixed membership, however, membership lists for East Asia's various institutions rarely overlapped. ASEAN's membership involves 10 Southeast Asian governments, APEC has 21 Asia-Pacific "economies," and different combinations of Southeast Asian countries cooperate on specific, localized environmental problems while Japan, Korea, and China do the same through alternative mechanisms [based on the database in Pekkanen (2017)].

The growing regional focus on economic dynamism and the increase in regional multilateralism went hand in hand with improving diplomatic relations among many countries. Both contributed to denser and less bifurcated political ties. Indonesia and Singapore normalized relations with China in 1990, and South Korea did the same in 1992. China settled land disputes with 14 of its neighbors (Fravel, 2008), while ASEAN expanded its membership from six to 10 by bringing in four continental countries that had often been hostile to some of the original six. The countries of ASEAN achieved a modicum of security accord through the Treaty of Amity and Cooperation in Southeast Asia as well. Improved Japan–Korea ties gained widespread visibility with the historical visit to Japan of President Kim Dae-jung in October 1998 and the issuance of the Kim–Obuchi statement agreeing to move beyond arguments over past disputes and for each state to focus on improving bilateral ties. The joint ROK–Japan hosting of the World Cup in 2002 and the explosion in cultural exchanges between the two countries further improved their ties. In like manner, a series of trilateral summits among the leaders of Japan, Korea, and China along with the subsequent institutionalization of the Trilateral Leaders' meeting and the formation of a Trilateral Cooperation Secretariat further reduced security tensions.

Chinese leaders contributed to the improving regional climate by joining the World Trade Organization (WTO) while also embracing the level of liberalization and foreign direct investment that allowed it to become the number one trading partner of most other countries in East Asia. All the while, China's policymakers telegraphed the singular message that its rise would be peaceful. Deng Xiao-ping's message that China should hide its abilities and bide its time drove official policy-making and spawned, among other things, a decade or more of what Kurlantzick (2007) called China's "charm offensive." In the mid-1980s, the Vietnamese Communist Party followed its Chinese counterpart with its own *doi moi* economic policy shift. Even the previously autarkic regime in Myanmar loosened its authoritarianism to engage more fully with both its ASEAN neighbors and global investors. Similarly, the Agreed Framework of 1994 returned the DPRK to the Nuclear Non-Proliferation Treaty and put a temporary halt to anxieties about its previously expanding nuclear weapons capabilities.

Nonetheless, security frictions did not simply vanish. East Asia remained far from becoming a “security community” in which war had become unthinkable. Yet for most countries, the aura of peace and prosperity fostered a diminished reliance on military prowess as a key tool of foreign policy, ushering in at least a temporary but broad-scale peace (see, e.g., Tonnesson, 2015). The most dramatic measure of this regional peace was the sharp decline in battlefield deaths and the absence of state-to-state conflict throughout the region since 1979 and throughout Northeast Asia since the 1953 termination of the Korean War. These and related movements sanded down a bevy of security animosities and initiated a state-to-state security order marked far more by accommodation than by rigid confrontation.

For better or worse, longstanding American engagement across the Asia-Pacific vacillated as intraregional ties grew. President Bill Clinton was an enthusiastic proponent of geoeconomics and economic and multilateral engagement with Asia. US commitments shrunk during the George W. Bush administration with its disastrous wars in Afghanistan and Iraq. The Obama administration, however, recommitted the US to regional engagement through a proposed “repositioning” or “pivoting” toward Asia. The Obama policy team acknowledged the importance of East Asia as the most economically dynamic region in the world and one to which the US needed to pay greater attention. Senior officials made more frequent visits to Asia. The US also signed the ASEAN Treaty of Amity and Cooperation in Southeast Asia and appointed a US ambassador to ASEAN. American diplomats pursued behind-the-scenes efforts to encourage a regime change in Myanmar. America also joined the East Asia Summit, and reinvigorated its engagement with the ARF and the APEC forum. Vietnam gradually gained importance in US foreign policy as the two countries formed a “comprehensive partnership” in 2013. The US also stepped up its multilateral cooperation in police, disaster relief, and counter-terrorism efforts. To enhance its joint strategic and economic engagement, it began a bilateral Strategic and Economic Dialogue with China and passed the Korea–US free-trade pact (KORUS). Most notably, the US took the lead in negotiating a Trans-Pacific Partnership (TPP) trade agreement with 11 other countries, the most comprehensive and ambitious regional trade agreement the United States had ever concluded. Such actions by the US and the other states across East Asia were all largely resonant with the global liberal trading order and underscored the extent to which those states benefited collectively as a result.

The TPP necessitated a categorical shift in the domestic political economies of several Asian governments. Rejecting entrenched protectionist policies, TPP participants instead accepted extensive trade liberalization measures involving domestic liberalization, expanded trade, and loosened constraints over foreign direct investment.

Promising “high quality” and ambitious “21st century standards” for trade, the TPP endeavored to reach well “behind the border” in ways that prior tariff reductions had not. Finally, though less often a main headline in TPP press releases, the trade pact sought to address many of the emerging geostrategic concerns of the signatories.

The TPP explicitly excluded China, as both the US and many of the other 11 partners viewed the partnership as having both commercial and security benefits. If enacted, the TPP would exert multilateral pressure on China to scale back its mercantilist policies should it wish to enjoy continued economic relations with a dozen or more of its most significant economic partners. In all of these ways, the TPP promised a vehicle by which key Asian partners could retain close economic and security ties with the US while simultaneously bolstering the global liberal order across East Asia (Capling & Ravenhill, 2011; Lim, Elms & Low, 2012). As President Obama (2016) wrote in a *Washington Post* defense of TPP: “The world has changed. The rules are changing with it. The United States, not countries like China, should write them. Let’s seize this opportunity, pass the Trans-Pacific Partnership and make sure America isn’t holding the bag, but holding the pen.” Thus, the TPP promised to link the US more deeply into the multilateralist and economic trajectory that was pervading East Asia while also addressing worries by both the US and a number of Asian countries about the rising economic influence and security assertiveness of China.

Chinese and US Challenges to the East Asian Order

Marked most dramatically by the 2008–2009 Global Financial Crisis (GFC), faith in the unproblematic benefits of “free markets” and the liberalization of trade and investment began to wane. In congruence, security concerns and geopolitical tensions resurfaced in force across the Asia-Pacific. This raised concerns as to whether or not decades of peace and prosperity would prove to be little more than a thin patina temporarily masking deep-seated and neuralgic security fissures. Unquestionably, numerous countries began to pull away from one another as instances of coercive diplomacy began to outweigh those of compromise and multilateralism, threatening to reverse decades of deepening economic interdependence and intraregional cooperation.

At the heart of these rising tensions have been the actions of a more militarily and politically assertive China. The GFC convinced many Chinese policymakers and analysts that the long era of American dominance and global capitalism was on the wane and that China’s moment for greater boldness had arrived (see, e.g., Chen & Wang, 2011; Schweller & Pu, 2011). Chinese economic growth had allowed the

substantial modernization of the national military. The People's Liberation Army (PLA) shifted from a fundamental focus on its continental, army-focused military to a force devoting increased attention and resources to maritime capabilities (Holmes & Yoshihara, 2012; Kane, 2016). To expand its maritime security perimeter, Chinese leaders issued ambiguous claims to sovereignty over virtually the entire South China Sea while enlarging the surface areas of numerous rocks and shoals to create military installations and advancing claims for an expanded national Exclusive Economic Zone (EEZ). Chinese maritime forces explicitly challenged the sovereignty claims of neighboring countries in both the East China Sea and the South China Sea, while also impeding the movement of vessels from the United States Seventh Fleet. Collectively, such actions exacerbated tensions with multiple other maritime claimants while raising red flags about a shift in China's grand strategy toward greater power projection, territorial assertiveness, and an enhanced role for its military forces (see, e.g., Nathan & Scobell, 2012, pp. 278–317).

On the political front, Xi Jinping used his presidency to reverse what had been China's halting and uneven process of social and economic liberalization. The Chinese Communist Party enlarged its controls over both party members and the Chinese public, thereby reducing the chances for independent centers of economic or political power to emerge as a challenge to party-state primacy. The moves reinforced what Schell & Shirk (2019) labeled "personalistic dictatorship, Leninist party rule, and enforced ideological conformity." The evidence of rising authoritarianism was widespread. Among other things, Internet censorship and the policing of cyberspace became more extensive. By 2011, Chinese expenditures for internal security surpassed those for defense from abroad. The government is further creating a social credit system designed to monitor and assess the conduct of every Chinese citizen. It has also incarcerated thousands of Uighur Muslims in internment camps for "reeducation," while forcing the enrollment of large numbers of Muslim children in schools dedicated to a curriculum that includes Mandarin language education, the rejection of religious beliefs, and CCP loyalty.

In domestic economics, the Chinese regime became more conspicuous in its reluctance to adhere to promises made upon accession to the World Trade Organization in 2001. In the words of Lardy (2019), "the state struck back." Policymakers reversed moves toward market-led reforms and privatization, boosting state investments in the largest state-owned enterprises (SOEs). Economically, Chinese policymakers mobilized a toolbox full of instruments designed to minimize the ability of foreign firms to gain powerful footholds in the most sophisticated sectors of the economy, working tirelessly to advantage Chinese-owned production and service firms. The party-state increasingly required investing firms to share their proprietary

technologies with local partners as a precondition for accessing the Chinese market, and these partners often exploited the new technologies to become competitors, both domestically and globally. Additionally, direct intellectual property theft is often state-supported, and state agencies have cracked down disproportionately on foreign investors, particularly those who use the legal system for redress of grievances. China also pursued industrial policies aimed at ensuring domestic dominance in the technology and manufacture of a multitude of high-tech products from electric cars to spacecraft through a program labeled “Made in China, 2025.” As a result, China has both retained and clawed back a substantial share of the benefits of its national growth (see, *inter alia*, Pei, 2016; Tellis, 2019). Economically, these actions made perfect political sense within China by minimizing the probability that China will become stuck in the middle-income trap, positioning it instead for continued growth and steady increases in its position in the global production hierarchy and in regional influence more broadly (Johnston, 2019).

China’s economic affluence further allowed what some viewed as the weaponization of its wealth. China rolled out its Belt and Road Initiative¹ and initiated a sequence of new institutions such as the Asian Infrastructure Investment Bank (AIIB) and security bodies such as the Shanghai Cooperation Organization (SCO), often labeled as an “anti-NATO” (Weitz, 2012). In addition, Chinese officials began telegraphing ominous messages to other countries in the region that were analogous to that of Chinese Foreign Minister Yang Jiechi at the ARF meeting in Hanoi in 2010. Fuming at the temerity of 12 countries that had raised the contentious South China Sea dispute, Yang stared at his Singaporean counterpart and thundered, “China is a big country and other countries are small countries and that is just a fact” (Storey, 2010). The cumulative picture has been one of an increasingly state-centric, self-assertive, and less regionally constrained regime that is challenging multiple aspects of an earlier regional order of peace and prosperity.

Overholt (2018) provides one succinct summary of this pervasive shift in official thinking: “China has escaped the pressures for political change that transformed earlier Asian miracle economies at similar levels of development. It has consolidated a particularly repressive market Leninism, which is destined to grow rapidly for the indefinite future. And its increasingly centralized economic control and ambitious industrial policies are so efficient that they constitute an unlimited threat to the West.”

¹The BRI has triggered various concerns. For example, 89% of all contractors participating in BRI projects are Chinese companies. This is unlike projects funded by the World Bank and Asian Development Bank, where 40.8% are local, 29% are Chinese, and 30% are foreign. The lack of local involvement is attracting criticism. Another worry is that BRI projects will expose partner countries to “debt traps.” This perception grew more amplified in late 2017 when Sri Lanka handed over the management of its Hambantota Port to a Chinese company after it struggle to repay its debt.

Such actions could well pose an ominous threat to the decades of peace and prosperity that have characterized the East Asian order since the early 1980s (Goh, 2013; Pempel, 2019).

If Chinese actions had begun to challenge the peace and prosperity of the Asia-Pacific, what predictability remained in the region received an even more stunning jolt with the election of Donald Trump. The first president to openly question the value of America's alliances, he and his administration moved to upend a host of longstanding American policies that had been integral to shaping the Asia-Pacific (Pempel, 2017). Having run the most protectionist campaign since the 1930s, his administration once in office continued its full-throated appeal to economic nationalism, white nativism, and a multiagency assault against America's longstanding allies, the global liberal order, and multilateral institutions that included the WTO, North Atlantic Treaty Organization (NATO), North American Free Trade Agreement (NAFTA), KORUS, and the TPP. "America First" leveled a potentially lethal challenge against the global liberal order and its cooperation with a deep and widespread network of allies, including those across the Asia-Pacific, from which the US had benefited for decades.

Particularly irksome to Trump were bilateral trade deficits. Based on his deep-rooted transactional convictions, he portrayed such deficits in starkly Manichean terms: America was "winning" when its exports to any single country were greater than its imports from that country, while a reversal of the equation meant that the US was "losing." Since the US bilateral trade balance with most countries had been negative for decades (in goods, though often not in services), the global trading system as organized under the WTO and most multilateral trade agreements such as NAFTA, KORUS, and the TPP were collectively "taking advantage of the United States." Allies and adversaries alike suffered castigation as the Trump administration demanded "a better deal for America," challenging all existing multilateral arrangements and/or seeking to replace them with renegotiated bilateral trade deals. In Trump's memorable words, "Trade wars are good and easy to win."

Of greatest impact to the Asia-Pacific was his decision, made within days of taking office, to pull the US out of the TPP.² Trump then initiated a global trade war by imposing unilateral tariffs on steel and aluminum under the guise of national security in March 2018. The tariffs fell disproportionately on many of America's longstanding allies, including Japan, Canada, and Mexico. These proved but a prelude to the even

²President Trump's decision to withdraw from the TPP signaled that he would embark on a very different trade policy that would be more transactional, defensive, and bilaterally focused. This has created uncertainty and skepticism in a region that had come to view economic engagement as the foundation of security. See Searight (2018).

more sweeping and escalating array of tariffs on Chinese imports. In May 2019, Trump ratcheted up the trade war by imposing a 25% tariff on Chinese exports worth US\$200 billion a year.

The tariffs were justified as necessary to force China and other American trade partners to rectify their “unbalanced” trade by entering into bilateral negotiations, purchasing more US exports, and making dramatic alterations in China’s decades-long economic strategy. China responded to the new tariffs with its own levies against US imports. The Trump administration’s actions marked a sharp severing of prior American neo-liberal presumptions and policies that, among other things, had long operated on the presumption that China’s 2001 accession to WTO membership and its rapid overall economic growth would prove to be a net positive for the US, its allies, and China. Of particular note, even though many other countries and their companies shared American concerns about Chinese economic practices, the Trump administration spurned multilateral approaches in favor of unilateral American actions. A central question presents itself, however: if so many other countries share such concerns, was it wise for the Trump Administration to be lambasting allies and taking a unilateral approach in its dealings with China? Facing any common challenge, the advantages of multilateralism are obvious and overwhelming (Martin, 1992; Ruggie, 1992).

America’s populist nationalism further materialized in a disdain for diplomacy, nuanced foreign policy analysis, and verbal and economic attacks on longstanding alliances. A 30% budgetary cut slashed policies and personnel within the Department of State (Farrow, 2018). Even after three years in office, hundreds of key administrative appointments in diplomacy and foreign policy remained unfilled, including key positions dealing with East Asia.³ Petty insults rained down on East Asian allies such as Japan and Korea; democracy and human rights faded as American goals as praise rose for “tough guys” like Xi Jinping, Rodrigo Duterte, and Kim Jong-un. The decision to withdraw the US from the TPP was but one component in a much broader self-isolation of the US from the Asia-Pacific.

In an October 2018 speech Vice President Mike Pence further escalated US confrontation of China (Pence, 2018). He endorsed the sweeping view that China represented an existential challenge that the US needed to oppose through a “whole-of-government approach.” China, he noted, “spends as much on its military as the rest of Asia combined, and Beijing has prioritized capabilities to erode America’s military

³On the failure to fill key positions, see <<https://ourpublicservice.org/issues/presidential-transition/political-appointee-tracker.php>>. On budget cuts to the Department of State, see <<http://www.latimes.com/politics/washington/la-na-essential-washington-updates-new-budget-would-deeply-cut-state-1495564249-htmllstory.html>>.

advantages on land, at sea, in the air, and in space. China wants nothing less than to push the United States of America from the Western Pacific and attempt to prevent us from coming to the aid of our allies.” He also noted that the US Government was simultaneously strengthening the Committee on Foreign Investment (CFIUS) to heighten its scrutiny of Chinese investment in America, arguing that it was necessary in order to protect US national security from Beijing’s predatory actions. His views resonated in the National Defense Strategy, the National Security Strategy, and in a company-specific attack on Huawei, the leader in 5G technology in both China and the world.

The risk was a squandering of decades of US efforts to nurture allies and establish a positive foreign policy presence throughout the region. The image of the United States plummeted across Asia during the first two years of the Trump administration. Three-fifths to three-quarters of those surveyed across multiple Asian countries identified Trump as intolerant, dangerous, and arrogant. Respondents castigated his signature policy proposals, as confidence in the US president to do the right thing in world affairs fell 55 points in Australia, 54 points in Japan, and a stunning 71 points in South Korea (Wike *et al.*, 2017).

Collective Pushback

Now an axiom of realist theory, Thucydides once pronounced correctly that “The strong do what they will and the weak accept what they must.” This logic has shaped much of the analysis of recent East Asian developments, an underlying presumption being that China–US interactions will be the primary driver of regional developments (see, e.g., Allison, 2017; Mearsheimer, 2010; Navarro, 2006; Tellis, 2019). Yet, other countries across the region have been far from passive in the face of recent actions by the two largest powers. A number of states have pushed back against US and Chinese challenges to the regional order, and to pressures for them to make an either–or choice between these two rivals.

No country in Asia is looking to confront a binary choice between the United States and China. Many, such as Japan, Korea, and Australia, have anchored their entire military and defense profiles around ties to America. Others such as Singapore, Taiwan, Thailand, and the Philippines look to the US as their major security guarantor. At the same time, all have deep and interdependent economic ties with the Chinese market. Leaders in all of these countries realize that if the US–China trade war continues, it will exert a strong and deleterious effect on their economic dynamism by,

among other things, shattering supply chains, many of which rest heavily on links with China. They are equally resistant against American protectionism and unilateralism. National leaders across the region thus have strong incentives to resist any either-or choice between their economic and security interests. Additionally, even though many East Asian countries have security anxieties about China's increasing strength and assertiveness, most remain anxious not only to avoid kinetic confrontations but also to reassert (however selectively) support for the liberal global trade order. Retaining a strong US and a strong China in the region remains a minimal desire for most; compromise and cooperative engagement between the two major powers, where possible, would be even more welcome.

As noted above, the TPP as it was originally negotiated would have created sweeping trade rules for much of the Asia-Pacific, enveloping countries that account for 40% of world gross domestic product (GDP), and simultaneously advancing commitments to the global liberal trade order. The TPP would have also exerted multilateral pressure on China to scale back its mercantilist policies if it wished to enjoy continued economic relations with a dozen or more key economic partners. After initial anxieties that the absence of the US would mean the death of the TPP (East Asia Forum, 2017; Hawke, 2017), the 11 remaining members demonstrated that they had significant powers of their own, opting to advance a second-best countermeasure. Japan, New Zealand, and Australia led negotiations and achieved rapid success on a revised pact. The newly named Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) went into effect on December 30, 2018 with expectations that other non-negotiating countries would welcome the opportunity to join (Pempel, 2019).

In addition to the CPTPP, many countries continued to advance their own respective free-trade pacts at the bilateral and mini-lateral levels. The coverage ratio of such pacts continues to expand (Pempel, 2019, pp. 196–197). Likewise, a number of Southeast Asian countries, with Indonesia in the lead, have moved to advance China's favored free-trade arrangement, the Regional Cooperation and Economic Partnership (RCEP). Though not as comprehensive as the CPTPP, RCEP negotiations have focused on ensuring a collective trade agreement that is more congruent with the liberal trading order than one that China might prefer. In early November 2019, 15 of the 16 RCEP Participating Countries (RPCs) announced the conclusion of all 20 chapters of the agreement, and essentially all market access commitments on goods, services, and investment.

Many of these states have furthermore invested vast sums in generating their own expansive regional infrastructure projects and deepening, rather than shattering, the web of regional economic connections. Japan has formulated a multi-billion-dollar "Connectivity Initiative" which emphasizes sustainable infrastructure and

construction projects across Asia. India has forged ahead with the International North–South Transport Corridor (INSTC) railway and port projects aimed at strengthening regional integration. South Korea has introduced the “New Southern Policy” to assist infrastructure development in key Southeast Asian countries, and Australia has signed an investment agreement with ASEAN to “develop a pipeline of high-quality infrastructure projects, to attract private and public investment” (Heydarian, 2018). Additionally, Japan, Korea, Singapore, and Vietnam have all forged trade pacts with the EU, and negotiations for an analogous EU–Indonesia agreement are ongoing. All are evidences of powerful pushbacks against US and Chinese threats to regional economic integration, multilateralism, and intrastate cooperation.

At the same time, countries in East Asia are also recalibrating their relationships with China in an effort to offset US’s abdication from leadership. China, in turn, has moved to nurture apprehensive countries by improving ties with other regional states where possible, not least in hopes of fragmenting their prioritization of the United States. Japan and China, for example, have moved away from their prior confrontational rhetoric and the escalating downturn in diplomatic exchanges over the Senkaku/Diaoyu Island controversy, conservative domestic politics in Japan, and chauvinistic netizens in China. As the world’s second- and third-largest economies, China and Japan share deep economic ties despite their frequent security mistrust, and China is Japan’s largest trading partner. Many Japanese technology companies rely heavily on sales to China, particularly those making industrial robots, semiconductors, and electronic parts. In conjunction with improved political relations, Japanese direct investment in China leapt in the second half of 2018, the first major surge in FDI since 2005 (Seguchi, 2019). On October 25, 2018, Prime Minister Shinzo Abe and President Xi Jinping began a three-day meeting that marked the first summit between leaders of the two countries in eight years. Among other things, companies from Japan and China signed agreements to cooperate in third countries for 52 joint projects, effectively pushing back against US pressures for its allies to avoid participation in China’s Belt and Road Initiative.

As other powers in East Asia adjust to the US pullback and a stronger China, most leaders continue to work hard to placate Trump both personally and by embracing portions of his expanded defense focus. The US dollar is still the world’s premier currency after all. The WTO still functions according to rules that the United States helped to generate, and the chief of the World Bank is always an American. Alliances remain in place, and military-to-military connections between the Pentagon and America’s Asian allies have deep roots and remain close in spite of economic frictions. Japan and Australia are doing their best to bolster military ties with the

US. Along with India, these three are engaging in talks for a quadrilateral security arrangement among themselves and the United States.

A reciprocally reinforcing, if highly ambiguous, agenda on security is developing. At the same time, the Trump administration surrendered a significant measure of US credibility by pulling out of the Trans-Pacific Partnership. South Korea has been leaning away from cooperation with Japan and tilting more favorably in China's direction, as President Moon Jae-in has sought closer ties with China and North Korea despite US pressure to do the opposite. In the fall of 2019, days after President Trump demanded South Korea to more than quintuple its US\$923 million annual payment of US\$5 billion as an offset for the basing costs of US troops in that country, South Korea signed a defense agreement with China. Taiwan faces perhaps the most difficult choice. It has few bargaining advantages with either the US or China despite its economic interdependence with China and its reliance on the US for its security and arms purchases.

Conclusion

Even as the US and China have been threatening the long prevalent peace and prosperity of the Asia-Pacific, multiple countries across the region have been acting to resist making a zero-sum choice between their economic and security interests. Such actions are of course no substitute for the kind of leadership that the US had exercised over most of the post-war period. US officials have been feckless in addressing the deterioration in Japan–ROK relations. At the same time, it is also clear that East Asian governments are not prepared to allow Chinese assertiveness or the Trump administration's mercurial zigzags to drive their agendas or to drag them out of the liberal trading order. The deep institutionalization of regional production networks and multilateral institutions contributed powerfully to decades of peace and prosperity throughout the region and moved a substantial number of states to closer integration with the global liberal order. US's moves to raise tariffs, retreat to unilateralism, and brand China as an existential threat have not obliterated either these experiences or the commitments of many regimes across the region to retain free trade, multilateral cooperation, and continued, if hedged, engagement with China. It is a familiar adage across East Asia that "China will always be here; America has the freedom to leave."

If the end of the Cold War in 1991 ushered in a golden age of regional economic integration, the threat of East Asia icing over in a Cold War 2.0 between the world's two largest economies looms on the horizon. If that happens, it will undoubtedly

spawn deeper divisions, greater fragmentation, and escalating zero-sum choices, enhancing the likelihood of a return to the insular trade blocs that divided communist countries from economic engagement with capitalism decades ago. Recognizing the implications of such a threat to their own well-being, a host of regimes across East Asia that had benefited from reduced regional fragmentation and the period of peace and prosperity are endeavoring to prevent this dreaded outcome in a variety of ways.

How devastating and long lasting are current trends likely to be? Three decades of peace and prosperity across the Asia-Pacific from roughly 1980 to 2008 make it tempting to dismiss the present tensions as unfortunate but reversible deviations from the deeply entrenched set of regional trends marked by multilateral engagement, regional production networks, low levels of state-to-state conflict, and rising economic globalization, with each one being supportive of the liberal world order. Such sanguinity, however, requires a conviction that any recent damage is not structural and permanent and that the actions of a few regional regimes can hold the liberal fort until the return of less confrontational relations between the US and China. Yet, many of the recent disruptive geopolitical tensions have ancient roots, and policymakers in the US and China show few signs of accommodating one another. The longer their actions continue to shred the liberal and regional economic orders by focusing on myopic domestic advantages, the more likely it is that such actions across the Asia-Pacific will have deleterious consequences that will be difficult to reverse if the primary pushback comes from the smaller states in the region, however diligent the effort. Agency remains available to these powers and human choices can always intersect with structural pressures. However, if US and Chinese trajectories continue and cannot be altered by regional powers, the damage to the Asia-Pacific order will surely be severe.

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Between a Rock and a Hard Place: The Dilemmas of Middle Powers

BRIAN L. JOB

“Middle powers,” variously defined, have served relevant and significant roles in the post-WWII regional and global orders, facilitated by structural conditions of “long peace” among great powers and proactive leadership by and among creative middle powers. Within the complex Asia-Pacific security order, “middle powers” such as Australia, Canada, and South Korea have had the “space” to engage the non-like minded and advance multilateralism with security guarantees from the US. However, Beijing and Washington today are eliminating this space and its associated choices for middle-power diplomacy by increasingly characterizing their rivalry as a confrontation of “existential threats” between incompatible “civilizations” and securitizing trade and technology. China and the US are each selectively ignoring or purposely eroding key aspects of a rules-based international order. This paper highlights the dilemmas of South Korea, Australia, and Canada, middle powers who have found themselves individually and collectively “stuck” facing contradictory global and regional policy choices.

KEYWORDS: Middle power; Asia-Pacific security; Canada; South Korea; Australia; multilateralism.

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The paper queries if and how middle powers can advance their interests in the fraught Asia-Pacific context. The following section establishes the benchmarks for consideration as middle powers, noting the features of middle-power diplomacy, “middle powership,” that have distinguished their role and significance in the post-WWII era (Cooper, Higgott, & Nossal, 1993). Still, assigning the middle-power label remains complicated, with states eschewing or claiming the title depending on domestic factors and systemic structural parameters. Who counts as a middle power within the Asia-Pacific is an open question. Section 2 highlights the historically contingent context that provided the “space” for middle powers to advance their individual and collective interests in global and regional contexts — periods characterized by the absence of war among the major powers and by the economic–security nexus that facilitated China’s rise and engagement with the United States. As taken up in Section 3, what is remarkable is how rapidly this relationship has deteriorated and with it the constraints and limitations confronting middle powers. Through their securitization and weaponization of trade flows, tariffs, and technology, both China and the US are selectively undermining the tenets of a rules-based order that has been fundamental to middle-power multilateralism and networking diplomacy. Middle powers such as Australia, South Korea, and Canada may ultimately be unsuccessful at avoiding making the choice of siding with the US or China. The collective and individual circumstances of these three states are considered in Section 4, pointing to how Canada at this moment is an exemplary proxy and hostage to the confrontation between Washington and Beijing. The final section discusses the limited options for middle powers other than calls for new forms of diplomacy, the persistent advancement of multilateralism, networking with like minded states, and pragmatic hedging between the US and China. As the evolving global and regional orders begin to take firmer shape over the next five years, certain avenues for middle powers may look more feasible and promising.

Middle Powers: Definition, Demarcation, and Roles

Three characteristics taken either separately or in combination have been traditionally been applied to denote middle powers. These are roughly delineated as “positional,” “behavioral,” and “identifying” (Carr, 2014).¹ Most straightforward is the first, “positional,” referring to a state’s relative material capacity and ranking among the 20 or so states clustered immediately below the major powers in global and regional contexts (Wilkins, 2017). Characterization along these lines is nominal at best. Most salient is the second quality — middle powers being defined through their diplomatic practices, key among these being entrepreneurial multilateralism; convening, creating, and advancing multilateral institutions; serving as intermediators between major powers and their proxies; and promoting the provision of global public goods.² However, as Carr (2014, p. 79) points out, seeing middle powers simply as “good international citizens” is insufficient, ignoring that middle-power behaviors are guided by self-interest rather than altruism, and that outcomes rather than intentions are what count.

The third characteristic, “identification,” is seen either as self-identification or through recognition by others. The notion of a middle power has been synonymous in the post-WWII era with a cohort of states that include Australia, Canada, and Scandinavian countries, whose citizenry have identified their states accordingly along with their accompanying roles as supporters of the UN, open markets, and non-proliferation. Interestingly, however, their own governments have not sustained this consistency and have either cyclically adopted or avoided the label according to the leanings of their political leaders (Ravenhill, 1998). In lieu of “middle power,” for example, governments have opted to call themselves “significant powers,” “entrepreneurial powers,” “constructive powers,” “important states,” or “pivotal states” (Robertson, 2017). While such labeling itself may be irrelevant, what is critical is the recognition of the appropriateness and utility of the role of middle powers *by the major powers*. Without their acknowledgment and provision of “space,” middle powers may be denied the agency and freedom to maneuver — compelled per force to close alignment and “followership” with one side opposing another, a danger inherent in the current systemic environment (Nossal, 2010).

¹Defining and debating matters regarding middle powers remains a cottage industry, especially among Canadian and Australian academics and policy commentators. Earlier debates, involving Chapnick (2000) and Cooper *et al.* (1993), have been kept alive in recent works by Cooper (2015), Paltiel and Nossal (2019), Carr (2014), Patience (2018), Robertson (2017), P. Evans (2016), and Wilkins (2017).

²These qualities are cited by the authors cited in footnote 1.

Who then qualifies as a middle power today? While there are the “usual suspects” in the global context, this list does not encompass many states ranked materially as middle powers. Of the G20 for instance, Brazil, India, Indonesia, Mexico, South Africa, and Turkey, while qualifying in material terms, do not accept the label, regarding it as incompatible with their aspirations to be seen as global powers. Within the Asia-Pacific, beyond Australia, South Korea, and Canada, all of Indonesia, Vietnam, Pakistan, Japan, Thailand, and even India and ASEAN have recently been termed middle powers (Emmers, 2018; Emmers & Tao, 2015; Fels, 2017; Soeya, 2013). This paper, however, proceeds with a more limited agenda, focusing on Australia, South Korea, and Canada, who satisfy all of the three defining criteria mentioned earlier.

Middle-Power Activism: That was Then

Certain structural prerequisites are necessary for middle-power diplomacy to flourish. These have been evident in the two waves of middle-power activism since the end of WWII, first in the establishment of the UN and Bretton Woods systems and subsequently in the aftermath of the Cold War. Both have been characterized as relatively benign strategic environments with either mutually-accepted boundaries on the direct, strategic competition among major powers, during what Gaddis (1986) termed the “long peace” of the Cold War or during the 1990s with the dominance of the US as a hegemonic power of global and regional security orders. In each, the middle powers shared with the US a prevailing, “embedded liberal” consensus on the norms and values underlying the political, economic, and security order. Multilateral and bilateral institutions facilitated the hegemonic provision of global public goods through a “rules-based order.” In these historically contingent periods, there were space and opportunity for middle-power activism.

Post-WWII Europe, with its collective security commitments with NATO and to an economic free market leading to the European Community, proceeded in quite different directions than occurred in the Asia-Pacific. Here the US orchestrated a complex regional order premised on supporting a security–economic nexus that provided security guarantees through a hub-and-spokes, bilateral alliance architecture coupled with economic access to US markets and trade arrangements. In this San Francisco System (Calder, 2004), there was little room for middle-power activism; states such as Australia and South Korea found themselves in “dependent

middle power” roles (Patience, 2018), supporting the US in its Asian wars and with limited leeway for engagement with non-like minded states.³

Circumstances changed — initially with the demise of communism, then followed by the explosive rise of the Chinese economy. The 1990s were a high point for middle power and small state regional, multilateral entrepreneurship. Motivated by concern over the lack of a comprehensive regional security architecture, they proactively employed official and unofficial channels to design and create inclusive multilateral institutions premised on notions of cooperative security, non-traditional security, and open markets (Capie & Evans, 2008; Job, 2003). Their impact was marked by the expansion of Track 1.0, 1.5, and 2.0 institutions, including ASEAN, the ARF, the ARF+3, the ARF EEP Group, and the AES, complemented on the economic side by APEC and the Chiang Mai Initiative. Official Washington went along with efforts to promote security dialogs, provided they were accepted as secondary to its bilateral alliances. On the economic front, the US was in the forefront in APEC and supported the engagement of China (Johnston & Ross, 1999), including its membership in the WTO.

The impact of 9–11 proved to be significant and lasting, moving concerns over terrorism and violent political extremism to the top of regional agendas. While uniting multilateral efforts to confront terrorism on the one hand, on the other hand the “war on terror” fostered regionally divisive debates with cultural and religious overtones. Pressures on middle powers and small states to rally around US-led combat campaigns reversed their perceived independence and capacities for diplomatic maneuvering.⁴

Concerned that its hold on the region was slipping in the wake of the Asian Financial Crisis of 2008 and Chinese resurgence, and with Asian states looking to insulate themselves from future crises of globalization by proliferating FTAs and intra-Asian multilateral initiatives, Washington announced a “pivot to Asia” (Clinton, 2011). By this point, the balance of power in Asia and with it the calculus of regional middle powers had already begun to shift. With Beijing now their largest trading partner, Asian economies were increasingly dependent on Chinese trade and investment and, in turn, susceptible to attendant incentives and pressures. China’s buildup and muscular demonstrations of its military capacities were of additional concern, especially in the maritime domain. This was exacerbated by nagging concerns over US commitment and its perceived failure to arrest Beijing’s advances. Accordingly, Asian

³In contrast, middle powers had more leeway to advance multilateral diplomacy at the systemic level.

⁴Thus, all of Australia, South Korea, Japan, and Thailand responded to US requests for force contributions to the Iraq War campaign. Canada, however, demurred. Its subsequent, substantial engagement in Afghanistan is generally regarded as a *quid pro quo* for staying out of Iraq.

middle powers and small states looked to temper their traditional major power relations, adopting “hedging” strategies (Goh, 2006), and avoiding, if at all possible, situations where they might be pressured to opt for one or the other.⁵

Middle-Power Activism: This is Now

Since the mid-2000s, the transforming global and regional geopolitical orders have been fraught with uncertainty and instability. Globalization is increasingly perceived in negative terms as dislocation and disruption spread across and within societies, giving rise to voices of nationalism and nativism. The pace and impact of technological change have revolutionized commerce and extended prospects of strategic competition into new domains. The relationship between the US and China is now the defining feature of the global and regional orders. US decline, in relative terms, has been increasingly cast within the frames of hegemonic transition and the perils of a Thucydides trap (Allison, 2017a, b; Pempel, 2015). As China is viewed as authoritarian, illiberal, and promoting unfair and predatory, state-led economic practices, Washington has dismissed engagement with the country as a failure. Beijing has moved to become a competitor and challenger for regional dominance. Leadership changes in 2015 (Xi Jinping) and 2016 (Donald Trump) have crystalized the parameters of this relationship — Xi Jinping’s ambitions for “socialism with Chinese characteristics” and aspirations for superiority in technological domains are seen as a threat to US hegemony and the “Western, liberal, rules-based order.”

Donald Trump’s approaches toward international governance are seen as no less disruptive by antagonists and friends alike. His aggressive anti-multilateralism (Cossa & Glosserman, 2019), transactional, short-term calculus for all relationships, abdication of responsibility for the provision of public goods, and unpredictable securitization of trade policies have disoriented allies who have traditionally viewed their relationship with Washington as mutually supportive. The overall effect, as characterized by Ikenberry (2016), has been a decoupling of economics and security, creating a “dual hierarch[ical]” structure. Asia-Pacific middle states confront contradictory and confusing challenges — while being heavily dependent for their economic health on China, they are constantly looking over their shoulders to the United States for security guarantees. Select elements of a shared normative consensus remain, but with

⁵See Emmers (2018) and Hughes (2015) concerning Australia and Japan, and Goh (2013) concerning ASEAN states.

insufficient consistency, little harmony, and the necessary trust to foster cooperative solutions to global and regional problems, at least as motivated by the two major powers.

With the US military referring to China as a “strategic competitor” (U.S. Department of Defense, 2018, p. 1) and China vigorously pushing back (Wei, 2019),⁶ there is no longer a benign strategic environment that invites middle-power intermediation and multilateral initiatives. The US and China now have “incompatible visions” (Friedberg, 2019). Washington is moving to a bipartisan consensus that China is beyond a competitor, and instead constitutes a “threat” — “not just as whole-of-government threat, but as a whole-of-society threat”⁷ posed by “a great power competitor that is not Caucasian” — a “different civilization.”^{8,9} The US military, citing concerns of falling behind China’s rapid military buildup and its employment of “a toolbox of coercion,” has ratcheted up its characterization of China as now a “revisionist power,” and “the principal threat to American interests, peoples, and values.”¹⁰

In response, Washington has mounted its “Free and Open Indo-Pacific” (FOIP) initiative, a whole of government, multilateral regional coalition to thwart Chinese “seeking of Indo-Pacific regional hegemony . . . and ultimately global preeminence,” and to promote US democratic values and principles (U.S. Department of Defense, 2019). In geographic terms, its regional security scope is extended beyond the Straits of Malacca to encompass South Asia and beyond to the Gulf and the Horn of Africa. Operationalization of the FOIP involves deepening diplomatic, economic, and military ties with countries like India (albeit skeptical of any US hegemonic agenda), investing vast amounts in weaponry and strategic assets (Shanahan, 2019); and reconstituting the QUAD in 2017 with Australia, Japan, and India, as a “security conference of democratic states that seeks to strengthen democracy” (Ayres, 2018).

The whole scale weaponization of economics and trade has escalated tensions to another level. The Trump Administration instinctively imposes tariffs to force a political result or punish a state for perceived non-compliance with US policy. Among the first were tariffs on steel and aluminum, including Canada, Mexico, and Japan,

⁶See Wei (2019) address to the 18th Shangri-La Dialogue, including such phrases as “As for the recent trade friction started by the US, if the US wants to talk, we will keep the door open. If they want a fight, we will fight till the end.”

⁷See Economy (2019), citing FBI Director Christopher Wray.

⁸Remarks attributed to Kiron Skinner, Director of Policy Planning, State Department (Gehrke, 2019).

⁹Reminiscent of the deepest Cold War days, prominent US conservatives have reincarnated the Committee of the Present Danger (CPDC), citing the “existential threats presented by the People’s Republic of China under the misrule of the Chinese Communist Party” (CPDC, 2019).

¹⁰Citing Shanahan (2019) and the *Indo-Pacific Strategy Report* (U.S. Department of Defense, 2019).

whose exports purportedly “threatened to impair national security.”^{11, 12} Non-US corporations with leading-edge technologies are being restricted and/or banned in order to facilitate US catch-up and to inhibit China’s attaining dual-use technological superiority. Complex supply chains of the global economy are being fragmented and collaborative scientific research and development relationships ended, under the suspicion that the Chinese Government has and will engage entities, such as 5G leader Huawei, in spying and the theft of intellectual property. Middle powers and small states now find themselves impacted by such policies without regard to their erstwhile alliance relationships with the US. In this environment of uncertainty, official assurances that “competition [with China] does not mean conflict” (Shanahan, 2019), are met with skepticism and have accordingly promoted withdrawal and hedging strategies.¹³

Beijing has played a complementary role in creating this constricted environment for middle powers. True, “China under Xi has . . . upped its game” in foreign relations by supporting multilateral diplomacy and institutional arrangements to address global issues such as UN peacekeeping, climate change negotiations, and multilateral, institutional, “rules-based” governance of trade and commerce (Swaine, 2014). However, as with the current Trump regime, Beijing’s approach to dispute settlement has been and remains determinedly bilateral, with contending small states finding themselves over-matched by dominating and occasionally bullying tactics. Thus, while offering rhetorical support to the multilateral advancement of a code of conduct for maritime relations on the South China Sea, Beijing has foreclosed all efforts to settle boundary issues through multilateral channels. In a similar fashion, China with its massive Belt and Road Initiative (BRI) fosters a vast network of engaged players, but all projects are negotiated bilaterally, raising concerns of crony capitalism with questionable regimes, accusations of predatory lending practices, and debt entrapment. Rather than being motivated by development goals, many analysts view the determination of the nature and location of BRI projects as designed to extend Beijing’s regional strategic interests and influence (Brautigam, 2019).

¹¹These were invoked under Sec. 232 of the Trade Expansion Act, a provision oft-cited (but previously very seldom used) in subsequent US trade actions. Tariffs were lifted in May 2019 on Canada and Mexico, with Australia having gained an earlier exemption. See “Trump Tariffs,” *Wikipedia*, at <https://en.wikipedia.org/wiki/Trump_tariffs#cite_ref-temporary_63-0>.

¹²Mexico was recently targeted with across the board tariffs to compel a deal on cross-border migrant flows. As justification, the US President stated Mexico’s “passive cooperation in allowing [the] mass incursion [of migrants] constitutes an emergency and extraordinary threat to the national security and economy of the United States” (The White House, 2019).

¹³These concerns are not dampened by the pronouncements by prominent US analysts on the likelihood of conflict with China (Allison, 2015; Mearsheimer, 2010).

Overall, China has adopted a hierarchical perspective of the international order. Its status as an historical major power and aspiring global power allows little acknowledgment of the role and interests of “middle and small states” (China does not appear to officially employ the term “middle power”). Certainly, this attitude holds for disputes over territorial claims. Although “willing to peacefully . . . handle them through equal consultations” and assuring that it “will absolutely not bully small countries just because we are a big country, [China] will not accept small countries to kick up a row” [quoted in Swaine (2014)]. Nor will it countenance any “effort to internationalize or judicialize” a dispute, this “only mak[ing] it harder to resolve the issue.” Small- and medium-size countries are not to interfere with major powers; “they need not and should not take sides among big countries.”¹⁴ These “lessons” have been brought home numerous times, especially toward Southeast Asian states against whom Chinese military and diplomatic resources are individually overwhelming and collectively divisive, as evidenced by fissures in ASEAN.

Like Washington, Beijing employs coercive economic tactics to threaten or punish middle powers and small states for diplomatic transgressions. In contrast to Washington’s reliance on formal announcements and its implementation of tariffs and restrictions, albeit with questionable rationales, Beijing imposes its coercive economic strategies through informal channels involving the selective and arbitrary implementation of domestic regulations, the encouragement of popular boycotts, and pressure on specific companies. Thus, Japan (Senkaku/Diaoyu Islands), Norway (Liu Xiaobo Nobel Prize), Mongolia (Dalai Lama visits), South Korea (THAAD deployment), and the Philippines (Scarborough Shoal) have all been subjected to coercive Chinese economic measures in the last decade (Harrell, Rosenberg, & Saravalle, 2018). Under Xi Jinping, these strategies have intensified.

Three Asia-Pacific Middle Powers: “Stuck” in Different Ways

On the one hand, Asia-Pacific’s middle powers and small states are alike in confronting the contradictions posed by the emergent, regional uncoupling of economics and security and the increasingly aggressive pressures by Washington and Beijing to choose sides in this now dual hierarchy. On the other hand, “one size does not fit all.” The individual circumstances and policy options available to middle

¹⁴Quoting from China’s 2017 statement of its policies on Asia-Pacific Cooperation at <https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1429771.shtml>.

Table 1.
South Korea, Australia, and Canada: Trade Dependence on China and the United States (Percentage Figures, 2017 Data)

	Exports: China	Imports: China	Exports: US	Imports: US
South Korea	25	21	12	10
Australia	35	24	3.5	10
Canada	4.9	15	73	46

Source: Observer of Economic Complexity (<https://atlas.media.mit.edu/en/>).

powers vary considerably. A comparison and contrast of South Korea, Australia, and Canada highlights these distinctions and enhances our understanding of the constraints and opportunities for middle powers in regional and global contexts.

In geostrategic terms, South Korea, Australia, and Canada are markedly different. South Korea faces a continuing existential threat and accordingly has been reliant on direct and extended deterrence provided by the United States. Australia, perceiving potential threats that it cannot counter alone, courts the US as its distant guarantor. Canada, across the Pacific and sharing a continent with the US, experiences the benefits and drawbacks of close bilateral and multilateral alliance ties with the US.

Economic realities substantially complicate these relationships, as depicted in Table 1. Australia's prosperity pivots upon its economic dependence on China, and South Korea's does as well, but with greater exports to the US. While being an important source of imports, Australia's exports to the US are minimal. Canada presents a reversed picture, with its economy fully integrated into the US market. Its substantially smaller trade and investment relations with China, however, are growing and critical to key sectors and regions of the Canadian economy.

South Korea: "Maneuvering in the Geopolitical Middle"¹⁵

Being situated at the regional intersection of major power interests defined by the residual Cold War conflict of the Peninsula has provided Seoul with little opportunity for independent foreign policy or middle-power intermediation. While at times chafing at the dictates of US strategic priorities and associated military command relationships, South Korea remains a dependent middle power in security terms. Economically, however, it has flourished in the context of rapid regional growth and US support for Chinese engagement, and accordingly gained stature in regional and global contexts

¹⁵The phrase borrowed from Hwang (2014).

through its active membership in multilateral institutions including the G20 and MIKTA, its ODA contributions, and its support for ecologically responsible development (Sohn, 2016). Notably, all of this activity — prototypic, soft-power, multi-lateral networking — “interestingly was done without officially using the term ‘middle power diplomacy’” (Sohn, 2016, p. 44). Analysts, conversely, have not been reluctant to do so, seeing the geopolitical moment as the opportunity for “middle powerism” (Kim, Howe, Bae, & Shin, 2019) and prospects for success as a middle power (Mo, 2016), though they may be “not yet fully articulated” (Shin, 2016).

Recent developments have had both positive and negative implications for Seoul’s role and middle-power status. The transformation of Peninsular circumstances — the dramatic reduction of the short-term threat of attack and use of nuclear weaponry and the associated shift from escalating confrontation to bilateral negotiation between the US and North Korea — has facilitated relationships between South and North. Second, however, is a creeping spillover from the deepening US–China rivalry. Thus, South Korea’s acquisition of a US THAAD missile defense system was regarded by Beijing as a threat to its security, which in turn triggered economic sanctions. Looking forward, Korean corporations are inevitably going to be entangled in US efforts to restrict Chinese technological advancement, with potential losses of revenue and threatened retaliatory measures felt from one or both sides (Power, 2019).

Ultimately, as Sohn (2016, p. 47) admits, “It is difficult for South Korea to play [a middle power] role because China and the US tend to support the initiatives of middle powers only to the extent that they serve their respective interests.”

Australia: Dilemmas of Mateship¹⁶

Australia’s identity and identification as a middle power has been integral to the development of the concept and its associated role and practices. See Cooper et al. (1993) and more recently, for example, Wilkins (2017), G. Evans (2018), Medcalf (2019), and Carr (2014).¹⁷ Under capable leadership and proactive multilateral entrepreneurship, Australia has been instrumental in fostering regional economic and security institutions, having been an active force in global initiatives on the non-proliferation of conventional and non-conventional weaponry, the protection of civilians in conflict (including R2P), and international financial governance. Its middle-

¹⁶The phrase “Mateship” has been widely touted by both Americans and Australians to characterize their century-long military relationship, especially during its centenary of 2018. See Shanahan (2018).

¹⁷That being said, the government’s 2017 Foreign Policy White Paper does not include the term. Available at <<https://www.fpwhitepaper.gov.au>>.

power profile and impact are augmented in regional Track 1 (APEC, ARF, and AES) and Track 2 (CSCAP and PECC) institutions and through the proactive agendas of high-profile think tanks and academic institutes.

Since the end of WWII, Australia has seen its security contingent on the guarantee of help from outside the region, i.e., the United States, and accordingly has gone to great lengths to ensure Washington's resolve to respond. Thus, from the Korean War to the present, Australia has committed its troops to every US-led military action in the region and beyond. Its "100 years of Mateship" have integrated Australia deeply into the US global defense structure through the hosting of key surveillance facilities, the procurement of interoperable equipment, and the deployment of American troops on Australian soil. Since 9–11 and with concerns over China's regional security ambitions (reinforced by pressure from Washington), this affiliation has been "intensified, broadened and tightened" (Tanter, 2018).

But so too has Australia's growing dependence on natural resource exports to China. The juxtaposition of its geopolitical and geoeconomic circumstances significantly complicates its scope for independent middle-power activism. Prominent defense analyst White (2018) encapsulates Australia's existential quandary:

"China wants to replace the United States as the primary power in East Asia, and we don't want that to happen. We want America to remain the primary power because we don't want to live under China's shadow. . . . [But]
"Opposing China would risk the economic relationship, and we cannot imagine a future for Australia without the opportunities that only China can offer. But equally we cannot imagine a future for Australia in which China takes America's place as Asia's dominant power, and America withdraws."

Thus, despite his admonition that we "have to make choices" (White, 2017, 2018), reiterated by (Rudd, 2018), prudence dictates that successive governments in Canberra avoid choosing by hedging, seeking to engage China economically while simultaneously reinforcing ties with the United States. This is an unstable equilibrium. President Trump, for instance, with his America First attitude, has evidenced little concern for "mateship." His imposition of tariffs and berating the policies and leaders of Australia and other allies have raised tensions and doubts. US anti-multilateralism and efforts to hobble institutions such as the WTO, the UN, and the ICC run counter to Australia's international agendas. On the other hand, China and Australia are adopting increasingly negative views of each other. It has reacted sharply to what it sees as discriminatory policies over alleged "foreign interference" and restrictions on Chinese technology, e.g., the banning of Huawei 5G systems (Choudhury, 2019), labeling these as "anti-Chinese hysteria and paranoia" [quoting from Glenday (2019)]. In light of Beijing's record of imposing economic sanctions in retaliation for statements and

policies that it finds objectionable, Canberra is well aware of its vulnerability. Thus, while the precise reason for China's slow-down on coal imports may be uncertain, the political message sent is clear and ominous (Farrer & Smee, 2019). So too is the tone of foreign ministry rhetoric advising Australia to stop recoiling from China, to take off its biased, "coloured glasses" and "return to the right track" [quoted in Needham (2018)].

In sum, Australia walks a fine line, its scope for "creative middle power diplomacy" (Wilkins, 2017) and advancement of regionalism tempered by the contradictory pressures stemming from its economic reliance on China and its security dependence on the US, both presenting differing challenges to its efforts to promote a "liberal, rules-based order" for the provision of regional and global public goods.

Canada: Stuck . . . in the Middle

Canada's middle-power identity was secured during the 1950s and played out through its institutional multilateralism and intermediation during the Cold War — the "halcyon days" for middle powers in the creation of the US-led "Western, liberal, rules-based order" (Paltiel & Nossal, 2019).¹⁸ The post-1989 "new world order" fostered renewed energies and opportunities in a second phase of middle-power activism in which Canada took a central role, championed by proactive politicians and supportive governments. Canada was instrumental in the foundation of international tribunals, bans and limitations on the use and proliferation of weapons, and the promotion of principles and norms of human security and Responsibility to Protect. This global agenda extended to regional contexts as well, particularly for Canada in the Asia-Pacific. Here the 1990s witnessed Ottawa's promotion of the norms and principles of cooperative security, non-traditional security, open markets, and inclusion of the non-likeminded. Ottawa fostered Track 1.0, 1.5, and 2.0 channels of dialog (Capie & Evans, 2008), and the establishment and support of multilateral institutions, including the ARF and APEC, and their counterparts, PECC and CSCAP (Job, 2003; Job & Poole, 2010).

Canada's role as a security actor in the Asia-Pacific derives both from historic roots in WWII and the Korean Peninsula and its subsequent general concern for stability in a region where peace is requisite for global economic growth. Canada

¹⁸Paltiel and Nossal (2019, p. 150) floridly invoke: "like a flying buttress, Canada helped support the vaulted ceilings and the heavy roof of the cathedral of global governance."

maintains no permanent military deployments in the region; its military doctrine and capacities remain heavily oriented toward North America and the NATO alliance. Canadian forces participate in select regional military exercises (RIMPAC) and have responded in regional peace operations, humanitarian missions, and disaster-relief efforts.¹⁹ Notably in distinction to South Korea and Australia, its middle-power followership of the US has been qualified, as seen in governments of the time declining to contribute ground forces to the Vietnam and Iraq (2003) wars. Canada is viewed by regional actors as a positive but intermittent actor in regional security arenas²⁰ — its middle-power role supporting multilateral engagement in a region, that is, however, largely oriented to bilateral alliance relationships (Dewitt, Young, Brouse, & Piereder, 2018).

Ottawa's high-level attention to the Asia-Pacific has been cyclical, dependent on the preoccupations of the government of the moment (Ravenhill, 1998). Throughout, Canada has maintained active and engaged support for the opening of markets and removal of trade barriers, increasingly so that trade volumes with Asian states increased over the last decade. Moving beyond APEC, Canada was instrumental in the recent founding of the CPTPP agreement, has sought a free-trade agreement with ASEAN, signed an FTA with South Korea, and seeks bilateral FTAs with Asian states, including China with whom its trade and investment relations had improved particularly in agricultural commodities and natural resources. These have been motivated by concerns to mitigate its long-term dependence on a single market and its short-term exposure to Washington's current transactional trade policies and capricious tariffs.

These strategies have been derailed. Canada currently serves as a poster child for the vulnerability of middle powers caught in the crosshairs of US–China hostility. The details are instructive.²¹ On December 1, 2018, Canada intercepted in transit and held Meng Wangzhou (Chief Financial Officer of Huawei and daughter of its founder) pending a US request for extradition on allegations of making false statements concerning Huawei's business dealings and associated violations of US sanctions against Iraq.²² The official Chinese reaction has been draconian, including the seizure of two

¹⁹Since 2018, Canada has participated in maritime, multinational surveillance operations to prevent the violation of sanctions on North Korea. See < <https://www.canada.ca/en/department-national-defence/services/operations/military-operations/current-operations/operation-neon.html> > .

²⁰While a Dialog Member of the ARF and with membership in the ARF EEP, Canada is not a member of the Asian Economic Summit or the ADMM+.

²¹For a timeline of initial events in the Meng–Huawei situation, see <<https://www.cbc.ca/news/world/huawei-meng-timeline-1.4989139>>.

²²Notably, such actions would not constitute criminal acts in Canada, as it, like the Europeans, follows UN sanctions but not unilateral US sanctions.

Canadian citizens who were held without charge for four months and then arrested for “stealing state secrets,”²³ as well as the re-trial and sentencing to death of a Canadian formerly given a lesser sentence for drug trafficking. After several months, Beijing escalated to impose coercive economic tactics, blocking Canadian exports of canola shipments (an annual C\$26 billion Canadian export) (Common & Mancini, 2019), and more recently blocking and then reopening meat imports (Tunney, 2019).

Matters are further complicated by contention over Ottawa’s pending decision concerning Huawei’s participation in Canadian development of its 5G network. Huawei already has a presence in Canadian telecommunications systems and research collaborations with major Canadian universities. Ottawa is under pressure from both China and the United States — the former through its ambassador threatening “repercussions” if it bans Huawei from 5G networks (“China Tells Canada,” 2019) and the latter pushing for Five Eyes unity supporting Washington’s increasing efforts to ban the company and restrict its relations with other tech firms. President Trump complicated matters by suggesting that Meng’s extradition could be included in ongoing trade negotiations, thus muddying Ottawa’s insistence that this is a legal and not a political matter. Canada and China recently appointed new ambassadors to each other’s capitals, leading to a diminution of rhetoric, but no positive steps toward resolution.

The Trudeau Government remains in limbo, “stuck in the middle,” delaying any action that would incite negative responses from either capital. Given the recent dealings with the Trump Administration, little help is anticipated from Washington and Canadian analysts are charging that the “administration . . . pulled the rug out from under Canada’s feet,” and seeing Canadian policy options “limited in a world increasingly defined by the ongoing US-China fissure” as the two edge toward a Cold War standoff (Paltiel & Nossal, 2019, p. 156).

Room in the Middle?

Middle powers confront a challenging international environment. Those who anticipate a return to an *ex-ante* 2016 world harbor illusions. Major powers have embarked on new directions; middle and small states must adapt and reorient. Middle powers have to rethink the premises of their roles and possibilities within an evolving

²³See <<https://www.theglobeandmail.com/world/article-two-cranadians-detained-in-china-michael-spavor-michael-kovrig/>>.

environment without a single, supportive hegemon and with major powers with whom they do not fully share common norms and values. Washington looks on the one hand to bolster its alliances and launch a Free and Open Indo-Pacific while on the other hand denigrating its partners and laying doubts about their security guarantees. A working relationship with China is an existential requirement for middle and small states in economic terms; but Beijing does not present a positive security alternative.

Self-evidently, the preferred future of middle powers and small states, as Singapore PM (Lee, 2019) stated at the 2019 Shangri-La Dialogue, is the “hope that the US and China will resolve their differences . . . [middle powers and small states wanting] to be friends with both, to nurture security and economic ties with the US as they grow their business links with China,” and to avoid “a hard line drawn through Asia or drawn down the middle of the Pacific Ocean.” In such a co-managed great power architecture, “small states have agency” through collective action to advance their interests. Multilateralism is the key to mitigating the impact of great-power competition (Emmers, 2018, p. 43; Medcalf & Mohan, 2014). This will involve “weaving a net anchored in multilateral institutions and suspended between nodes of states dedicated to a rules-based global order” (Paltiel & Nossal, 2019, p. 137).

Looking forward, Australia, South Korea, and Canada can be expected to deploy their efforts along three avenues: (a) bilateral diplomacy with Beijing and Washington; (b) fostering regional, multilateral engagement, encompassing the likeminded and non-likeminded; and (c) campaigns to bolster the preservation of a rules-based order and the provision of public goods of global governance. On the first, they will seek as discussed above to pursue parallel economic and security policies without having to conflate the two, as both Washington and Beijing are pressuring. Middle powers will practice hedging to avoid being compelled to bandwagon strategically and economically (Korolev, 2019). They will continue to rely on bilateral, personal diplomacy between leaders and key senior officials, though results to date have been mixed, highlighting their continued vulnerability to intimidating negotiation tactics and unexpected arbitrary actions that belie expectations based on prior relationships. There are unlikely to be substantial changes in US strategy with a new occupant in the White House. The combination of bipartisan protectionist forces in Congress and the drive to contain and constrain China will sustain the overall parameters of US foreign policy. Nor can one expect a sea change in Beijing’s behavior.

Asian states will continue their efforts of multilateral institutionalism to buffer themselves against spillover and sideswipes from major power clashes. The CPTPP is prime example of effective economic multilateralism. On political fronts, however, complex tensions pervade (Cooper & Dal, 2016; Mo, 2016). The domestic politics and

bilateral relationships of Asia's middle powers continue to impede expectations for cooperative collaboration. Thus, the fueling of nationalist sentiments over historical wrongs thwarts prospects for Japanese–Korean cooperation (Smith, 2019).²⁴ Distinctive policy directions, e.g., the contrast between Canada and Australia on immigration matters and climate change, temper the prospects for the synergistic, joint, middle-power leadership that the two capitalized upon in the 1990s.

In this context, ASEAN has a role to play, exercising what G. Evans (2017) terms its “collective middle power” diplomacy to engage both China and the US in its extended network (the EAS, ASEAN+3, the ARF, and the TAC), and maintaining its agenda-setting role for institutional forums. Yet, again certain realities dampen positive projections. ASEAN-led processes of late have been stalling, in part because members themselves are less devoted to collective action, but also critically because of external pressures on individual members forestalling action and consensus. Beijing asserts its influence on states where it has extensive political and economic ties, such as Laos and Cambodia. Washington's impact is felt through its anti-multilateralist policies. Its efforts, when multilateral, tend toward exclusion and containment, as with the QUAD and the FOIP, and the reinforcement of transactional, bilateral arrangements.

At the global level in recent years, middle powers, broadly defined (i.e., including Japan, European states, and regional powers), have sought common cause through the G20, United Nations, development agencies, NGOs, and informal “groups of friends” and networks to address the broad spectrum of non-traditional security concerns, including migration, cybersecurity, control of nuclear and conventional weapons, disease control, natural disaster relief, and food security. When propelled by activist leaders, they have been in the forefront to advancing development goals, humanitarian assistance, and norms of responsibility to protect, the protection of civilians, gender equality, and opposition to torture (Paris, 2019). In select areas such as climate change and global trade regulation they have been joined by China, under Xi Jinping, who has actively promoted his country's role as a provider of public goods. However, prospects for middle-power leadership and institutional progress on these issues cannot be taken for granted. Tempering expectations, Paris (2019) concludes that “while middle powers may not single-handedly be able to prevent the disintegration of the liberal international order, they can at least slow its erosion.”

Historically, the functional success of middle powers has benefited from and was dependent upon a “rules-based international order” dominated by a commonality of

²⁴See “Japan restricts exports to South Korea over wartime labour row” at <<https://www.channelnewsasia.com/news/asia/japan-restricts-exports-to-south-korea-over-wartime-labour-row-11676362>>.

“Western values” — thus a “liberal rules-based international order” that advanced free market systems and democratic political systems through the institutional frames of the Atlantic Alliance, United Nations, World Bank, and IMF. Today, however, middle powers must contend with forces that challenge the premises of this established order. On the one hand, there are forces of (anti-)globalization, nationalism, or nativism and the rivalry between China and the US. At the same time, they must contend with the emergence of regional powers such as Brazil, Nigeria, and Indonesia — societies and countries with whom they share a limited subset of common norms and values.

Seeking support from the likeminded to bolster multilateralism will certainly remain a priority, as evidenced by global initiatives such as the Alliance for Multilateralism championed by Germany and France along with Canada and Japan (Blanchfield, 2019); Canada’s sponsorship of the Ottawa Group devoted to WTO reform,²⁵ and the Lima Group, founded in 2017, to foster a peaceful solution to the Venezuelan crisis.²⁶

But so too will engagement with nominally “non-likeminded states” when interests dictate, as with collaboration with China on climate change or participation in new institutional initiatives such as the AIIB.

Middle powers must set new priorities and adopt new modalities of regional and international diplomacies. Overall, one can anticipate the emergence of a “thinner” international order — a combination of rules and unstable institutions based upon a lower common denominator of functionalist norms, not a uniformly accepted, single rules-based order, and certainly not a uniformly liberal, multilateralist order. A more pragmatic middle-power diplomacy is also a likely result, both at regional and global levels. As senior Canadian analyst Janice Stein recently argued, there will be an inevitable reversion to an interest-based policy with individual middle powers ultimately being forced to go it alone if and when specific circumstances and pressures dictate.²⁷

This is a glass half-empty perspective, perhaps overly so. At particular moments in the past, middle powers acting with collective, proactive leadership have achieved significant accomplishments in norm entrepreneurship and multilateral institutionalism. Opportunities, indeed necessities for middle-power leadership and collaboration, are present at both regional and global levels. What remains to emerge is the

²⁵See “Ottawa Group and WTO Reform” at <<https://www.canada.ca/en/global-affairs/news/2019/05/ottawa-group-and-wto-reform.html>>.

²⁶See “Lima Group” at <https://en.wikipedia.org/wiki/Lima_Group>.

²⁷Quoting from Sanders (2019), “Canadian policy has to be interests-based. . . . All we can do now is protect our national interests.”

combination of energy for multilateralism and the minimal major power equanimity that will facilitate the emergence of new understandings of the role and practices of middle powers.

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Middle-Power Cooperation in the Indo-Pacific Era

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In an Indo-Pacific era characterized by a strategic clash between the US-led Indo-Pacific strategy and the Chinese Belt and Road Initiative, middle-power cooperation needs to be re-conceptualized. Traditional ASEAN-centered processes and institutions may be strengthened if not replaced by a new type of middle-power cooperation involving “external countries” to ASEAN such as Japan, Australia, India, and South Korea.

KEYWORDS: Middle-power cooperation; Indo-Pacific; Belt and Road Initiative;
US–China rivalry; ASEAN way.

* * *



For better or worse, the future of the Asian order and the lives of its peoples will be affected by an aspiring China, an increasingly impatient United States, and the strategic relationship between these two powerhouses. Several middle powers reside and breathe somewhere in between the two great powers. While there will remain limits to the extent to which these sandwiched nations can influence the relationship and its impact on them, truly effective cooperation among them is as of yet an unrealized possibility. As they are in the same boat in the rough waters shaken by China and the United States, these nations should join efforts to calm the storm, to make the boat as resilient as possible, and to decide where it should head. Such joint efforts are referred to as “middle-power cooperation.”

One important background to the necessity for a new approach to middle-power cooperation has been the rise of the Indo-Pacific as a regional concept. Having replaced the regional concept of Asia in various discourses in recent years, it defines

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the regional scope of this paper. Against the backdrop of regional mega-dynamics led by the United States and China, the Asian middle powers examined in this paper include Japan, India, South Korea, Australia, and ASEAN countries.

The selection of these five actors as critical middle powers is justified by the “Asia Power Index” of the Lowy Institute for International Policy in Sydney. The index calculates a country’s overall power in the scale of 0–100 on the basis of eight measures of power. Accordingly, the top seven countries in 2019 were the US (84.5), China (75.9), Japan (42.5), India (41.0), Russia (35.4), South Korea (32.7), and Australia (31.3), followed by several ASEAN countries (Lowy Institute, n.d.). Treating Japan, India, South Korea, and Australia as middle powers and looking into the potential for cooperation among them will become important in years ahead. This is because traditional ASEAN-centered multilateral processes and institutions may cease to be effective in the Indo-Pacific era, and need to be empowered if not replaced by deeper engagement with other more powerful middle powers from outside of ASEAN.

The paper will first examine new regional dynamics created by China and the United States and will discuss the achievements and limitations of ASEAN-centered regionalism. We will then look into the need, rationale, and substance of middle-power cooperation as an alternative, new approach in the Indo-Pacific era. We will conclude by dwelling upon the meaning and implications of such middle-power cooperation for the future of a broader Asian order.

A New Type of Major-Power Relations versus A Pivot to a Broader Asia

China’s assertiveness that has currently taken the form of the Belt and Road Initiative (BRI) dates back to the 1990s and the end of the Cold War when changes in the domestic politics of identity had begun to manifest themselves within China (Yahuda, 2017). The 1980s were a critical turning point in which Deng Xiaoping’s “confident nationalism” (Oksenberg, 1986) brought about aggressive open door and reform policies accompanied by national programs to send promising young Chinese talent abroad. Remaining embedded in Deng’s bold strategy was the necessity for the Chinese Communist Party to find a new logic of legitimacy for the Party’s rule at a time when China’s society and people would inevitably become saturated with the ideas of liberalism and democracy.

Constituting the flip side of his open door and reform policy, Deng’s solution was to use the concept of “one hundred years of humiliation” that began in the 1840–1842 Opium War as a new source for the cohesion of China’s society and people. History

museums and memorials were established throughout China as a part of this campaign in the 1980s, including, most notably, the Memorial Hall of the Victims of the Nanjing Massacre in August 1985 and Museum of the War of the Chinese People's Resistance Against Japanese Aggression in July 1987.

After the Tiananmen Incident in June 1989, the need to emphasize China's historical humiliation to consolidate Chinese nationalism grew even more urgently and greatly. The Chinese leadership also saw that momentum of economic growth that had been initiated and propelled by the open door and reform policies needed to be sustained. Eventually, Chinese leaders muddled through a difficult post-Tiananmen phase of domestic politics and international relations, and China's growth to great power status has been continuing to date.

Chinese nationalism has steadily been consolidated in this process, and can be deciphered into two critical sentiments (Soeya, 2018). One is a strong awareness of victimization and humiliation in the modern history of China, and the other is a growing sense of confidence and pride emanating from its spectacular rise to great power status. As a result, many Chinese appear to believe today that it is natural to have Asia with China as its strong center, and that the time has come to bring Asia back to such "normalcy" (Zhao, 2004).

It should also be stressed however that for many Chinese, a call for a China-centered Asia should be compatible with a China continuing to develop economically within the liberal international order at the global level (Wang, 2011). After all, the spectacular rise of China today is the result of the advanced democratic economies of the world, including the United States and Japan, having helped China modernize and develop since Deng Xiaoping's open door and reform policies.

The most recent expression of this dual aspect of Chinese aspirations is the concept of a new model of major-power relations. While this idea means that China seeks to coexist with the United States across the Pacific and on the global stage, in the Asian context, the concept connotes a Chinese wish or dream to restructure an Asian order with itself at the center. Understandably, the presence of the United States as primarily sustained by the US–Japan alliance presents the biggest obstacle for a China-centered Asia. Naturally, therefore, China hopes to gradually decrease US presence and influence in the region. If the United States should leave the destiny of Asia in the hands of the Chinese, China should be perfectly ready to coexist with the United States peacefully.

Capturing the mindset of Chinese leaders, Xi Jinping reportedly said in California in June 2013 that "the Pacific Ocean is wide enough to incorporate [the interests of] both China and the U.S." (Lam, 2013). Psychologically, a strong

China “reclaiming” its core interests in Asia seems almost equal to achieving “justice” for history of humiliation.

The Obama administration’s response to this Chinese overture was mixed. On the surface, its formal and diplomatic response was rather positive. In November 2013, for instance, the National Security Advisor Susan Rice stated as follows:

When it comes to China, we seek to operationalize a new model of major power relations. That means managing inevitable competition while forging deeper cooperation on issues where our interests converge — in Asia and beyond. We both seek the denuclearization of the Korean Peninsula, a peaceful resolution to the Iranian nuclear issue, a stable and secure Afghanistan, and an end to conflict in Sudan. There are opportunities for us to take concerted action to bolster peace and development in places like sub-Saharan Africa, where sustainable growth would deliver lasting benefit to the peoples of Africa as well as to both our countries. (Rice, 2013)

Arguably, the context in which Susan Rice referred to a new model of major-power relations is primarily, if not exclusively, a global one. Rice’s reference to the United States seeking “to operationalize” such relations, however, was received with some alarm in some corners in Asia, precisely because the Chinese emphasis on a new model of major-power relations in Asia implies a Chinese dream to recreate a China-centered Asia.

On the security front, the US response to these concerns of friendly nations in Asia was the pivot strategy of the Obama administration. It is important that this strategy had already had the elements of what later came to be known as the Indo-Pacific strategy. For instance, the Pentagon’s report already stated as follows as early as January 2012:

U.S. economic and security interests are inextricably linked to developments in the arc extending from the Western Pacific and East Asia into the Indian Ocean region and South Asia, creating a mix of evolving challenges and opportunities. Accordingly, while the U.S. military will continue to contribute to security globally, we will of necessity rebalance toward the Asia-Pacific region. (U.S. Department of Defense, 2012)

Also, the US Secretary of State Hillary Clinton said the following in Perth, Australia, in November 2012:

We never actually left Asia; we’ve always been here and been a presence here. We consider ourselves a Pacific power. But in the 21st century, it’s important that we make absolutely clear we are here to stay. And how we think about the Asia Pacific or the Indo Pacific region is going to be critical to our future as well as yours. We’ve made it a strategic priority to support India’s Look East policy and to encourage Delhi to play a larger role in Asian institutions and affairs. (Clinton, 2012)

President Barack Obama was replaced by President Donald Trump in January 2017, who has been advocating the “America-first” principle unequivocally. By that

time, the political power of the Chinese Communist Party and the Chinese state had become consolidated in the hands of President Xi Jinping. In March 2018, the National People's Congress passed a constitutional amendment removing term limits for the President and reappointed Xi as President without term limits. The US–China relationship has since entered a Trump–Xi era.

Belt and Road Initiative versus Indo-Pacific Strategy

Xi Jinping replaced Hu Jintao as General Secretary of the Communist Party of China in November 2012, becoming President of the People's Republic of China in March 2013. Xi then quickly embarked upon an ambitious strategy now known as the BRI. He announced a vision for Eurasian economic integration at the occasion of his overseas trips in late 2013. Xi announced the Silk Road Economic Belt in Kazakhstan that September and the Maritime Silk Road in Indonesia in October. As indicated by the selection of the locations of announcement, these plans were mainly directed toward Central and Southeast Asia, where China had already been pursuing infrastructure development activities over the past years that included energy, transportation, and communications projects.

As such, a main part of the original consideration in invoking the BRI had to do with the recognition of domestic economic difficulties, and Chinese state agencies and local governments have interpreted the BRI differently based on their different commercial priorities and developmental needs (Ye, 2019). In addition, Chinese official rhetoric often emphasizes its economic promise and progress in altruistic terms.

There are, however, obvious diplomatic and geopolitical implications for the BRI. The scheme aims at deepening Eurasian integration, which is expected to create a more stable security environment along China's southern and western borders. The BRI is thus expected to increase Chinese influence in Eurasia's heartland while avoiding direct competition with the United States across the Pacific (Wuthnow, 2017).

As stated earlier, US's China policy during the Obama administration pursued a balancing act between rebalancing and engagement and did not take an outright confrontational approach toward the Chinese BRI necessarily. With the advent of the Donald Trump administration in January 2017, President Trump himself saw China as an unfair challenger and a spoiler of American interests, while the security establishment in Washington defined China as a strategic competitor.

The National Security Strategy issued in December 2017 declared his America-first principle unequivocally, saying that "China seeks to displace the United States in the Indo-Pacific region, expand the reaches of its state-driven economic model, and

reorder the region in its favor” (The White House, 2017). The 2018 National Defense Strategy then defined China as a revisionist power and stated as follows:

China is leveraging military modernization, influence operations, and predatory economics to coerce neighboring countries to reorder the Indo-Pacific region to their advantage. As China continues its economic and military ascendance, asserting power through an all-of-nation long-term strategy, it will continue to pursue a military modernization program that seeks Indo-Pacific regional hegemony in the near-term and displacement of the United States to achieve global preeminence in the future. (U.S. Department of Defense, 2018)

Stated explicitly, the Indo-Pacific region is now defined as a theater of strategic competition between the United States and China. Aptly enough, United States Pacific Command (USPACOM) was renamed to U.S. Indo-Pacific Command (USINDOPACOM) in May 2018. On October 4, 2018, US Vice-President Mike Pence declared an all-out competition and confrontation with China, ranging from cultural, societal, and economic fields to geopolitical dimensions (Pence, 2018).

Of course, American society does not unanimously support the hardline China policy of the Trump administration. On July 3, 2019, a group of prominent specialists on China and international affairs issued an open letter to President Trump in which they emphasized the following points (Fravel, Roy, Swaine, Thornton, & Vogel, 2019):

- (1) China’s behavior raises serious challenges, but the current U.S. approach is counterproductive.
- (2) China is not a monolith. U.S. actions should strengthen those Chinese leaders who want China to play a constructive role in world affairs.
- (3) Current U.S. efforts will damage the United States’ international role and reputation and undermine the economic interests of all nations.
- (4) The fear that Beijing will replace the United States as the global leader is exaggerated, nor is it clear that Beijing itself sees this goal as necessary or feasible.
- (5) In the Western Pacific, a wiser policy is to work with allies to maintain deterrence, emphasizing defensive-oriented, area denial capabilities, resiliency and the ability to frustrate attacks on U.S. or allied territory.
- (6) The United States should encourage Chinese participation in new or modified global regimes in which rising powers have a greater voice.
- (7) A successful U.S. approach to China must focus on creating enduring coalitions with other countries in support of economic and security objectives. It must be based on a realistic appraisal of Chinese perceptions, interests, goals and behavior.

As discussed later, some of these points resonate key assumptions of middle-power cooperation at a time of heightened tensions between the United States and China. If these views prevail in the making of US policy toward China, the urgency of

middle-power cooperation may be reduced. Still, we cannot expect or assume such an eventuality in the foreseeable future. It is highly likely that the Chinese BRI and the US Indo-Pacific Strategy will continue to form two mega-trends of order transition in the Indo-Pacific era. These constitute a framework for a consideration of the meaning and role of middle-power cooperation in the following sections.

Potential and Limitations of the ASEAN-Centered Regionalism

ASEAN has made a steady progress toward forming a region from the bottom-up, reflecting indigenous imperatives and traditions for regional cooperation (Acharya, 2013). In this process, common values, norms, and interests have emerged and been affirmed among members of the ASEAN countries, consolidating the institutional foundations for regionalism in Southeast Asia (Roberts, 2011). In 2015, ASEAN cooperation reached the stage where it declared the formation of the Economic Community, Political-Security Community, and Socio-Cultural Community among its member states (Sukma & Soeya, 2013).

The consolidation of cooperation among its member states has inspired ASEAN to be at the center of institution-building beyond Southeast Asia, particularly after the end of the Cold War. Thus, institutional arrangements promoting regional cooperation in East Asia have been mostly ASEAN-centered ones, including the ASEAN Regional Forum (ARF, since 1994), Asia-Europe Meeting (ASEM, since 1996), ASEAN Plus Three (APT, since 1997), East Asia Summit (EAS, since 2005), and ASEAN Defense Ministers' Meeting-Plus (ADMM+, since 2010). All these institutions essentially follow the "ASEAN way," starting from confidence-building and then attempting to move on to preventive diplomacy and finally to conflict resolution. Membership is basically inclusive, embracing powers external to ASEAN that include the United States, China, Japan, Russia, and Europe, as well as most of the other countries in the region such as Australia, New Zealand, and South Korea.

The two characteristics of the existing mechanisms of East Asian cooperation reveal both important realities in East Asian regionalism with ASEAN sitting in the driver's seat and fundamental limitations therein. For one thing, the ASEAN way is to begin with the issues which all participating members feel comfortable discussing, and thus to build the precedent of cooperation. This approach may help build confidence among the regional countries and prevent difficult issues from flaring up, which is positive for regional stability.

This, however, means that sources of conflict will continue to remain untouched. Therefore, there will continue to be the potential for power politics to dominate

regional affair, an outcome which is the very opposite of what multilateral cooperation intends to achieve. The inclusive nature of the membership of multilateral institutions is also a double-edged sword. Inclusiveness is an important precondition for cooperative security but could become a venue for big powers to control middle powers and smaller countries.

With respect to the danger of power politics surfacing in the name of regional cooperation and that of a big power controlling the region through some form of multilateral mechanism, China is a major concern in East Asia. This is particularly so against the backdrop of uncompromising Chinese attitudes and policies toward disputed islands in the South and East China Seas and newly emerging trends of dependence of some Eurasian countries on Chinese investment and assistance under the BRI. ASEAN-centered regional cooperation has not only proved to be ineffective in preventing Chinese assertiveness but has in some cases even managed to support it. This is an unwelcome trend that reflects the innate limitations of multilateral cooperation in East Asia (Kawashima, 2017).

At the same time, the Trump administration's Asian strategy is almost entirely targeting China as a strategic competitor against the United States and as a revisionist power in the US-led liberal international order, as seen above. Naturally, therefore, the United States wishes to draw ASEAN and its member states into a US-led Free and Open Indo-Pacific Strategy.

This should place ASEAN in a very difficult position between China and the United States. There is a consensus among ASEAN member states that simply choosing one side or the other is not an option. The power of ASEAN, let alone that of any individual member, is not big enough to maintain autonomy in the context of strategic rivalry between the United States and China. Under the new geopolitical context shaped by the Chinese BRI and the US-led Indo-Pacific Strategy, ASEAN should now be regarded as just one of the players of middle-power cooperation where the roles of other middle powers may become more important than that of ASEAN.

New Middle-Power Cooperation

As seen above, the United States and China appear ultimately to have divergent objectives. As with many liberal democracies in the world, the US goal was once to integrate China into the liberal international order. Balance of power politics or a deterrence policy was regarded as a necessity for this ultimate objective of engaging or coexisting with China (Christensen, 2015). Under the Trump administration, however,

the United States appears to have embarked on a strategy to virtually suppress the rise of China, even by decoupling the two economies.

As amply implied by the Chinese dream of constructing a new type of major-power relations with the United States, China's ultimate objective is to create a China-centered Asia devoid of US influence and accepted by the United States. Shifting its strategic focus from the Pacific to inner Asia and toward Europe under the banner of the BRI, may not necessarily mean that China has discarded its dreams for the Pacific Ocean.

This process of strategic contestation between the United States and China is bound to be a long-term one. During this historic transition of the configuration of power and the regional order, countries in East Asia cannot and should not remain silent by-standers. After all, these countries would be affected most directly and seriously by the strategic rivalry between the United States and China. Against this background, middle-power cooperation in the Indo-Pacific era needs to be approached differently from the traditional ASEAN-centered process.

Generally, discussions of the roles of middle powers used to focus on "niche areas" (Cooper, 1997). This may have been relevant during the Cold War between the United States and Soviet Union when the structure of power configuration among major powers was static, but it is no longer. After the end of the Cold War, theories of middle-power cooperation began to look into a new role, from filling niche areas to searching for a new role as an architect of multilateral cooperation. Chapnick (1999), for instance, conceptualized the roles of middle powers in terms of function, behavior, and hierarchy. At the time, middle powers tended to pursue multilateral approaches to international issues, take neutral positions in international disputes, and embrace a norm of good international citizenship vis-à-vis the Cold War type of notions of national interests (Cooper, Higgott, & Nossal, 1993).

At a time when the strategic relationship between the United States and China is characterized by so much fluidity, the strategic and geopolitical contexts for middle-power diplomacy and cooperation are quite different than previous years. Accordingly, the definitions of middle powers and middle-power cooperation need to be reconsidered.

Most fundamentally, the concept of middle power is not about the size or national power of a nation. Middle powers are of course smaller than the United States and China, but what makes middle powers a group of relevant players is their distinct strategy (Soeya & Lee, 2014). Namely, middle power is a strategic concept whose most distinct characteristic is the absence of unilateralism. As such, a middle-power strategy does not have the option of directly and unilaterally engaging in the balance of power game among great powers, and its strengths are to be exerted most effectively in the middle ground between great powers.

Effective cooperation among middle powers is a critical condition to construct and carry out such a strategy. Middle powers by themselves do not have the luxury of engaging in regional politics or the building or maintaining of a regional order, let alone a global one. Cooperation is a must for them to remain relevant actors. In this sense, each of the five players chosen here — Japan, India, Australia, South Korea, and ASEAN — are all middle powers.

As such, an orchestrated strategy by middle powers should have three phases. One is a strategy to cope with power politics among great powers where middle powers do not have much freedom of action but should have a common approach as a basis for their more autonomous roles in the second and the third phases. The second phase concerns a coordinated approach in the domains where Chinese and US interests converge. This would help stabilize relations between these two great powers. The third is a coordinated policy among middle powers with a view to creating an infrastructure for their own region through effective multilateral cooperation.

In the realm of traditional power politics, middle powers have theoretically two strategic options: building a close security relationship with one of the great powers; or remaining neutral either by disengaging from power politics or jointly playing a soft-balancing role between the great powers. Due to the importance of vested interests in the post-World War II liberal international order and the magnitude of uncertainties associated with the rise of China, their security relationships with the United States have been and are likely to remain their best choice for the foreseeable future.

Middle powers, however, share an interest in not antagonizing China for two fundamental reasons. First, the strategic clash between the United States and China will force middle powers to choose sides and will make middle-power cooperation entirely dysfunctional. Second, there are many issues and areas where cooperation with China is important for the national interests of middle powers as well as for regional stability. Accordingly, the management of security relationships with the United States will also remain a complex task for middle powers which cannot be done effectively unless they opt for mutual consultation and cooperation in dealing with the United States.

While middle powers are secondary players in the traditional balance of power, they can and should promote joint efforts in the middle ground of non-traditional security and functional cooperation to advance their initiatives in the second and the third phases mentioned above. In essence, these domains of multilateral cooperation are an essential area for a middle-power strategy where its entrepreneurial role in creating institutional arrangements of stability and prosperity is critical. The multilateral mechanisms of cooperation initiated by middle powers persistently over many years may eventually consolidate into the infrastructure of a regional order,

positive-sum interests for regional countries, and resilience against possible disruptions by power politics.

Whether or not and how regional middle powers can cooperate in setting the agenda and providing a drive for regional integration remain critically important in working with China and shaping the region in the years ahead. In the short to medium term, this is a survival strategy of middle powers amid the shifting power balance between the United States and China. In the long run, it should strengthen their common ground upon which to coexist with a strong, turbulent China and an unpredictable United States. For these long-term goals of middle-power cooperation in the Indo-Pacific age, the roles of stronger middle powers such as Japan, India, Australia, and hopefully South Korea will be indispensable.

The Process and Mechanisms of New Middle-Power Cooperation

As seen above, it should be possible and even desirable to attempt to conceptualize a new role for middle powers under shifting geopolitics caused by the rivalry between the United States and China today and in years ahead. This role should be something beyond the traditional “niche” diplomacy of middle powers and should have a substantial impact on the evolution of a regional order swayed by the simultaneous unfolding of the two regional mega-trends of the US-led Indo-Pacific strategy and the Chinese BRI.

The argument for middle-power cooperation as such is essentially bound to be that of an affirmative logic and a future-oriented one rather than an empirical one. The ultimate goal of this new type of middle-power cooperation in the Indo-Pacific era is to institutionalize frameworks of economic and political-security cooperation by key middle powers including Japan, India, Australia, South Korea, and the ASEAN countries.

The process, however, will be a long-term one, and some might reasonably doubt that such a goal will ever be achieved. Nonetheless, this does not mean that the efforts of middle-power cooperation should not begin nor be given up. The most important thing is that the process should keep moving on and not be stopped. In this respect, non-traditional security cooperation among middle powers is a natural first step, and as seen below, there are several bilateral agreements and arrangements being advanced by some of the key regional middle powers.

As an initial case, the “Japan-Australia Joint Declaration on Security Cooperation” signed by Japanese Prime Minister Shinzo Abe and Australian Prime Minister John Howard in March 2007 was an embodiment of this kind of non-traditional security cooperation between middle powers (Ministry of Foreign Affairs of Japan,

2007). The Joint Declaration listed the following items under the section “Area of Cooperation,” almost all of which are typical issues of non-traditional security.

The scope of security cooperation between Japan and Australia will include, but not be limited to the following:

- (i) law enforcement on combating transnational crime, including trafficking in illegal narcotics and precursors, people smuggling and trafficking, counterfeiting currency and arms smuggling;
- (ii) border security;
- (iii) counter-terrorism;
- (iv) disarmament and counter-proliferation of weapons of mass destruction and their means of delivery;
- (v) peace operations;
- (vi) exchange of strategic assessments and related information;
- (vii) maritime and aviation security;
- (viii) humanitarian relief operations, including disaster relief;
- (ix) contingency planning, including for pandemics.

As part of the above-mentioned cooperation, Japan and Australia will, as appropriate, strengthen practical cooperation between their respective defence forces and other security related agencies, including through:

- (i) exchange of personnel;
- (ii) joint exercises and training to further increase effectiveness of cooperation, including in the area of humanitarian relief operations;
- (iii) coordinated activities including those in the areas of law enforcement, peace operations, and regional capacity building.

Two years later, South Korean President Lee Myung-bak and Australian Prime Minister Kevin Rudd also signed a similar but much more comprehensive agreement in March 2009, titled the Joint Statement on Enhanced Global and Security Cooperation between Australia and the Republic of Korea (Broinowski, 2009). The Joint Statement listed the following items as their “Area of Cooperation” (Department of Foreign Affairs and Trade of Australia, 2009):

- (1) Bilateral and multilateral cooperation and consultation on issues of common strategic interest in the Asia-Pacific region and beyond.
- (2) Law enforcement to combat transnational crime, including trafficking in illegal narcotics and precursors, people smuggling and trafficking, money laundering, counterfeiting currency and arms smuggling.

- (3) Border security.
- (4) Counter-terrorism.
- (5) Disarmament and counter-proliferation of weapons of mass destruction and their means of delivery.
- (6) Peacekeeping and other Defence cooperation.
- (7) Maritime Security.
- (8) Development Cooperation, with a focus on humanitarian operations, including disaster relief and management.
- (9) Review of the Action Plan.

Items of cooperation in the Japan-Australia Declaration and the South Korea-Australia Statement are quite similar, indicating that the nature of security cooperation is indeed that of middle-power cooperation in both bilateral relations. In fact, South Korean Ambassador to Canberra at the time, Dr. Kim Woosang, testified in our private conversation that the South Korean side had studied the Japan-Australia Declaration carefully.

It was not surprising, therefore, that a similar move evolved between Tokyo and Seoul during the Lee Myung-bak government (February 2008–February 2013) when both governments began to discuss a bilateral Acquisition and Cross-Servicing Agreement (ACSA) between their militaries. An ACSA did not materialize due to complications from the comfort women issue after a ruling by the Constitutional Court of South Korea in August 2011 ordering the South Korean government to negotiate a settlement with the Japanese government. It was quite significant, however, that both governments completed negotiations over the General Security of Military Information Agreement (GSOMIA) and were to hold the signing ceremony in June 2012. The ceremony was postponed due to the worsening of domestic politics and the general atmosphere in South Korea, and it was four years later in November 2016 that the two governments finally signed and implemented GSOMIA.

Security cooperation between Japan and South Korea is thus delicate and complex, but the above experiences have shown that unless emotionally charged historical issues intervene in the process, Tokyo and Seoul with proper political leadership can indeed construct some mechanisms of non-traditional security cooperation. Speaking both conceptually and realistically, Japan and South Korea are in the same boat in the bumpy waters shaken by the United States and China, and they share similar regional agenda for cooperation.

From a realistic perspective, it should do more good than harm if Japan and South Korea were to agree on a similar area of cooperation to that of the Japan-Australia Declaration or the South Korea-Australia Statement listed above. If such a

development occurs between Japan and South Korea, then it is not entirely impossible to conceive of trilateral non-traditional security cooperation among Japan, Australia, and South Korea. Accordingly, there should be no reason why ASEAN and even India cannot join these arrangements.

As for Japan and India, the “Joint Declaration on Security Cooperation between Japan and India” signed in Tokyo by Japanese Prime Minister Taro Aso and Indian Prime Minister Manmohan Singh in October 2008 listed the following in the section titled “Elements for Cooperation” (Ministry of Foreign Affairs of Japan, 2008):

- (1) Information exchange and policy coordination on regional affairs in the Asia Pacific region and on long-term strategic and global issues.
- (2) Bilateral cooperation within multilateral frameworks in Asia, in particular the East Asia Summit, ASEAN Regional Forum and ReCAAP processes.
- (3) Defence dialogue and cooperation within the framework of the Joint Statement signed in May 2006 between the two Defence Ministries.
- (4) Cooperation between Coast Guards.
- (5) Safety of transport.
- (6) Fight against terrorism and transnational crimes.
- (7) Sharing of experiences in peacekeeping and peacebuilding.
- (8) Disaster management.
- (9) Disarmament and non-proliferation.

In the following year, the Joint Declaration on Security Cooperation between Australia and India announced in New Delhi in November 2009 listed the following items as “Elements of Cooperation” (Ministry of External Affairs of India, 2009):

- (1) Information exchange and policy coordination on regional affairs in the Asia region and on long-term strategic and global issues;
- (2) Bilateral cooperation within multilateral frameworks in Asia, in particular the East Asia Summit and ASEAN Regional Forum;
- (3) Defence dialogue and cooperation within the framework of the Memorandum of Understanding on Defence Cooperation signed in March 2006;
- (4) Efforts to combat terrorism;
- (5) Cooperation to combat trans-national organised crime;
- (6) Disaster management;
- (7) Maritime and aviation security; and
- (8) Police and law enforcement.

As recognized by an Australian observer, “the Australia-India Declaration has many similarities with Australia’s security declarations with Japan in 2007 and South

Korea in 2009” (Brewster, 2010). There is therefore now an almost perfect congruence of assessments and agendas for non-traditional security cooperation among Japan, Australia, India and South Korea.

Thus, actual mechanisms of middle-power cooperation would start with a set of bilateral agreements and cooperative agendas. As seen above, there is enough potential for three sets of bilateral arrangements to develop into a trilateral framework because the substantive agendas in all bilateral settings are almost identical. This evolving process from bilateral to trilateral agreements and possibly further toward multilateral arrangements is in fact an existential one and needs to be accelerated.

From Japan–Australia–India to Quad: Conceptual Evolution and Confusion

In recent years, there has been an increasing awareness between Australia and India about the need for more comprehensive security cooperation with a specific emphasis on the concept of middle-power cooperation in the Indo-Pacific era (Medcalf & Mohan, 2014). At the occasion of Indian Prime Minister Narendra Modi’s visit to Australia in November 2014, Australia and India signed a Framework for Security Cooperation, setting out an Action Plan for a more comprehensive security and defense relationship (Department of Foreign Affairs and Trade of Australia, 2014).

In this evolution of middle-power security cooperation in the Indo-Pacific era, there has been a significant development since 2015: the inception of an official Japan–Australia–India dialog in June 2015, which then developed into the quad dialog involving the United States in November 2017.

The First Japan-Australia-India Trilateral Dialogue by Senior Officials (administrative vice-ministers) was held in New Delhi on June 5, 2015, followed by a Second Dialogue in Tokyo on February 26, 2016, a Third Dialogue in Canberra on April 29, 2017, and a Fourth Dialogue in New Delhi on December 13, 2017. According to an announcement of the Japanese Foreign Ministry, the three countries which share “fundamental values and strategic interests” agreed on mutually cooperating toward achieving “a rule-based, free and open order in the Indo-Pacific.” The three vice-ministers also “exchanged views on the strategic environment in the Indo-Pacific region including North Korea and maritime security,” and “discussed trilateral cooperation on the international stage such as East Asian Summit and G20” (Ministry of Foreign Affairs of Japan, 2018).

In relation to the concept of middle-power cooperation discussed in this paper, it is quite significant that a trilateral official dialog among the key Indo-Pacific middle

powers of Japan, India, and Australia has been realized at all. This does reflect the natural logic of the evolution of middle-power cooperation as pointed out above. The trilateral dialog, however, has taken up a mixed agenda of traditional security and power politics as well as non-traditional and multilateral agendas. Needless to say, coping with elements of power politics associated with the rise of China and a shifting power balance between the United States and China is beyond the capacity of any middle power or any combination of middle-power coalitions. Discussing these issues may be important, but eventually building up effective cooperative measures into some multilateral mechanism of middle-power cooperation should be more important.

This lack of focus on truly effective middle-power cooperation is indeed a major flaw in the Japanese concept and approach toward regional cooperation in the Indo-Pacific era. Simply put, the Japanese government is a bit too preoccupied with geopolitical concerns coming from the rise of China, despite the fact of being a virtual middle power geostrategically. Japan is not equipped with the capability and means to play power politics with China on its own. This peculiar Japanese tendency was an important factor driving Japan toward emphasizing the importance of the United States, and indeed in 2017, the Japan-Australia-India Trilateral Dialogue evolved into the “Australia-India-Japan-U.S. Consultations on the Indo-Pacific,” attended by administrative vice-ministers of foreign affairs of the quad countries.

The First Japan-Australia-India-U.S. Consultations on the Indo-Pacific occurred in Manila on November 12, 2017, as a side event at the occasion of the ASEAN-related summit meetings. This was followed by the Second Quad Consultations in Singapore on November 15, 2018, and the Third Consultations in Bangkok on May 31, 2019. The outcome of these consultations is also mixed: it essentially gravitates toward emphasizing an agenda for middle-power cooperation but at the same time expresses geopolitical concerns regarding China. Japanese Foreign Ministry, for instance, summarizes key points out of the Third Quad Consultations in May 2019 as follows (Ministry of Foreign Affairs of Japan, 2019):

- (1) Senior officials met for consultations on their collective efforts to advance a free, open, and inclusive Indo-Pacific.
- (2) The four countries recalled their shared commitment to preserving and promoting the rules-based order in the region. . . . They noted initiatives from each country to provide tools and opportunities to quality infrastructure investment in accordance with international standards and leverage the potential of the private sector.
- (3) The four countries highlighted their efforts to maintain universal respect for international law and freedom of navigation and overflight.

- (4) The four countries agreed to continue to explore opportunities to enhance various cooperation, including regional disaster response, cybersecurity, maritime security, counterterrorism, and nonproliferation.
- (5) The four countries welcomed the efforts made by ASEAN member countries towards an ASEAN Indo-Pacific Outlook.

Such key words as “free, open, rule-based” as elements of an Indo-Pacific order as well as “quality infrastructure investment in accordance with international standards” in points 1 and 2 clearly indicate some dissatisfaction with the Chinese BRI, and “universal respect for international law and freedom of navigation and overflight” in point 3 reflects concerns about Chinese behavior in the South China Sea. In turn, points 4 and 5 reveal the spirit and logic of typical middle-power cooperation.

At this juncture, the three key middle powers of Japan, Australia, and India need to take a close look at the “ASEAN Outlook on Indo-Pacific” adopted in June 2019 (ASEAN, 2019). The ASEAN Outlook emphasized as “Areas of Cooperation” maritime cooperation, connectivity, UN Sustainable Development Goals (SDGs), and economic and other possible areas of cooperation. Acharya (2019) argues that “In the final analysis, the Outlook is an act of diplomatic and political assertion by ASEAN. ASEAN is telling the world that ASEAN has its own way of developing the Indo-Pacific idea — previously pushed by outside powers such as Japan, Australia, India and the United States — and that it won’t let outside powers dominate the ‘discourse’ on the Indo-Pacific.”

If this is the most likely psychology of ASEAN in the Indo-Pacific era, it is quite ironic that the development of middle-power cooperation among the key non-ASEAN countries of Japan, Australia, and India has now met resistance from ASEAN, which has traditionally grouped these three middle powers into the same category of “outside powers” together with the United States and China.

If showing respect for ASEAN is more than cosmetic, a trilateral dialog among Japan, Australia, and India should reaffirm the logic of middle-power cooperation as the key principle. It can do so by making a clear conceptual distinction between the areas and agendas for middle-power cooperation on the one hand and those for power politics where working with the United States is still critical on the other. Only then will the three key middle powers be able to establish effective mechanisms of middle-power cooperation with ASEAN member states which would help take care of the deficiencies of the ASEAN way discussed above, adding to the power of ASEAN and by extension the effectiveness of middle-power cooperation in the Indo-Pacific era.

Conclusion

With the advent of the Indo-Pacific Era, two regional mega-trends have begun to shape the geopolitical and economic contexts of a regional order: the US-led concept and strategy of the Free and Open Indo-Pacific and the Chinese Belt and Road Initiative. Under these new regional developments, Australia has naturally started to connect the Pacific Ocean to its east and the Indian Ocean to its west as one geographical entity while beginning to conceptualize its new middle-power strategy by reaching out to India. In this new geographic concept of the region, India has thus become a key player, but like Australia, it is not yet a strategic player capable of engaging in a balance of power game against China. Australian and Indian strategies, therefore, have begun to manifest themselves as those of middle powers rather than strategically independent great powers.

In turn, the Japanese response to the rise of China and shifting power balance between the United States and China has been mixed so far. For some time until now, it is clear that Japanese decision-makers have been concerned about the increasing assertiveness of Chinese security policies, particularly those in the East and South China Seas. At least psychologically, perceptions of a Chinese threat have motivated the Japanese government toward building security cooperation with regional countries such as Australia, India, and more subtly, South Korea. As seen above, however, the substance of the cooperation agenda therein is mostly that of typical middle-power cooperation.

Quite significantly, actual areas and agendas of cooperation that were initially elaborated in the Japan-Australia Joint Declaration on Security Cooperation signed in March 2007 were later emulated in the Joint Declaration on Security Cooperation between Japan and India signed in October 2008, the Joint Statement on Enhanced Global and Security Cooperation between Australia and the Republic of Korea signed in March 2009, and the Joint Declaration on Security Cooperation between Australia and India signed in November 2009.

This virtually means that the nations sandwiched between the United States and China are actually getting closer to each other and have begun to discuss agendas of cooperation jointly. We have seen in the above that there has been a significant evolution of dialogs and agreements between the four key middle powers. Bilateral arrangements have developed into trilateral ones among Japan, Australia, and India, and relations among Japan, Australia, and South Korea also have similar potential.

This development is as if middle powers are being pushed by an invisible hand toward a certain direction of regional cooperation. As such, a new type of

middle-power cooperation is at a budding stage, and in order for it to become effective in the Indo-Pacific era, the following need to be considered.

First, the complex task of dealing with the rise of China should inevitably entail a hedging strategy if not a balancing one. In this area, individual efforts by any of the middle powers including Japan are far from being sufficient, let alone complete, and the security presence of the United States in the region is critical. It is high time that middle powers in the region begin to discuss and consider seriously how best to cooperate in sustaining and managing the US security presence in the region in the direction of burden-sharing among regional middle powers.

Second, regional middle powers would need to continue to build networks of functional cooperation in the region which should be able to coordinate assessments and approaches toward a rising China as a critical engine of growth as well as a central actor in the complex transformation of a regional order. Here too, whether or not and how regional middle powers can cooperate in setting the agenda and providing an ideational drive for regional integration remain critically important in coping with China and its BRI.

Third, in between the Indo-Pacific strategy of the United States and the Chinese BRI, regional middle powers can find and carry out joint projects in overlapping areas between these two regional trends. Even Japan and China have begun to talk about a joint Official Development Assistance (ODA) project to assist the construction of new railways in Thailand, for instance, although reportedly, there has not been much progress in its implementation. Middle powers can initiate such projects which are to be positive-sum to all countries concerned, including the United States and China.

After all, the strategic clash between the United States and China will deprive regional middle powers of freedom of decision and action. Middle powers are faced with a complex task of managing their relations with both the United States and China in the middle of a power shift whose future is precarious at best. Under these circumstances, middle-power cooperation is our survival strategy amid a shifting power balance between the United States and China in the short to medium term. In the long run, we should strengthen the common ground upon which to coexist with a strong China and a precarious United States.

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New Economic Statecraft: Industrial Policy in an Era of Strategic Competition

VINOD K. AGGARWAL AND ANDREW W. REDDIE

The 2018 U.S. National Defense Strategy notes that the United States faces “an increasingly complex global security environment, characterized by overt challenges to the free and open international order and the re-emergence of long-term, strategic competition between nations.” In the ensuing months, much has been made of the security-related aspects of this return to great power competition — including Donald Trump’s role in the decline of the existing arms control architecture, responses to Russia’s annexation of Ukraine, and China’s use of subconventional — or “gray zone” — military operations in the South China Sea. What this analysis tends to miss, however, are the economic dimensions of strategic competition. To address the question of how insights from international political economy and security studies can be usefully combined to examine strategic competition, we examine how economic statecraft increasingly takes the form of economic policy beyond sanctions regimes. We argue that economic statecraft has become an increasingly central aspect of geostrategic consideration and consider how economic statecraft is being transformed in the current era.

KEYWORDS: Economic statecraft; strategic competition; industrial policy; cybersecurity.

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The 2018 U.S. National Defense Strategy notes that the United States faces “an increasingly complex global security environment, characterized by overt challenges to the free and open international order and the re-emergence of long-term, strategic competition between nations” (Mattis, 2018, p. 2). In the ensuing months, much has been made of the security-related aspects of this return to great

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power competition — including Donald Trump’s role in the decline of the existing arms control architecture, responses to Russia’s annexation of Ukraine, and China’s use of subconventional — or “gray zone” — military operations in the South China Sea. What this analysis tends to miss, however, are the economic dimensions of strategic competition.

In the economics literature, on the other hand, much attention has been paid to the question of whether President Trump’s trade policies are likely to address U.S. trade deficits. Most analysts have criticized the use of tariffs on steel, washing machines, aluminum, and a host of industries from Europe, China, and other countries as detrimental to consumer welfare or ineffective as other countries replace the exports of restricted countries. By contrast, a few scholars have argued that Chinese exports play a detrimental role leading to job losses and exacerbating the problems of the rust belt (Autor, Dorn, & Hanson, 2016). In evaluating what might be a good approach to China, many have drawn on a historical analogy, pointing to U.S. and European policies toward Japan as providing lessons, both good and bad, for suitable policy responses (Owen, 2012). Yet these analyses tend to miss the security dimensions of U.S.–Chinese competition that were largely absent from the U.S.–Japanese example.

To address the question of how insights from international political economy and security studies can be usefully combined to examine strategic competition, we argue that economic statecraft has become an increasingly central aspect of geostrategic consideration to consider how *economic statecraft* is being transformed in the current era (Norris, 2016). What we term “new economic statecraft” focuses on how government–firm relations affect geostrategic competition rather than the literature’s traditional focus on economic statecraft that emphasizes policies related to economic sanctions (Baldwin, 1985; Blanchard, Mansfield, & Ripsman, 2014; Blyth & Matthias, 2017; Drezner, 1999, 2003, 2015; Oatley, 2019). From our perspective, theorizing about new economic statecraft should take into account three important issues.

First, we argue that a traditional defense focus on military and security issues ignores the importance of the economic aspects of great power competition. In particular, we have seen the United States, Russia, China, and European countries making strategic investments in their own markets related to critical emerging technologies and increasingly using tools such as industrial policy and new legislation designed to impact cross-border investment, mergers, and acquisitions.

Second, scholars must not analogize incorrectly from the case of Japan in the 1980s to draw lessons for suitable policy responses today. Although Japan at the time

was seen to be posing an economic threat and despite some effort to frame this challenge in security terms,¹ the existing literature highlights the dichotomy between tense economic competition and dependence upon the United States for military protection (Hamada, 1995; Huntington, 1991; Rosecrance, 1993). Japan was not a military power of significance: it lacked nuclear weapons and its defense relied on an alliance with the United States within the post-war constraints the U.S. had imposed (Akaha, 1991; Corning, 1989; Wu, 2019).² By sharp contrast, policies that may have been effective vis-à-vis Japan do not translate into a feasible response to China, which is clearly an emerging geopolitical strategic competitor (Rosecrance, 1993). This focus also suggests that the concern of economic analysts on job losses, the trade deficit, and other economic issues — while obviously important — misses a critical component of strategic competition that is different from the past.

Third, the rapid evolution of new technologies over the last decade has increased the need to revisit our prior understanding of firm–government relations and the implications for policymaking. While many have noted the increasing competition in fundamentally transformative emerging technologies such as quantum computing, additive manufacturing, artificial intelligence, gene editing, and cybersecurity, less attention has been focused on their dual-use potential. The nature of these new technologies poses a medium- and long-term security threat to the United States and its European allies, leading to the need to understand how to respond to and regulate these technologies.³ In this paper, we describe how efforts to develop these technologies contribute to and potentially exacerbate the economic aspects of great power competition with implications for national and international security.

The paper is organized as follows. The second section examines the theory of economic statecraft and elaborates on what we consider to be key developments that

¹As Huntington noted in a *Survival* article published in 1991, “[T]he United States is obsessed with Japan for the same reasons that it was once obsessed with the Soviet Union. . . . [T]he Soviet military threat was on the public mind: discussions focused on the comparative statistics of Soviet and American missiles, warheads, throw-weight, bombers, tanks and submarines. Today, the Japanese economic threat is on people’s mind. The concern is not missile vulnerability but semiconductor vulnerability” (Huntington, 1991, p. 8).

²For an account of how this security relationship translated into an economic relationship between Tokyo and Washington, see Destler and Nacht (1990).

³We do not argue here that these technological developments reflect technological determinism — only that these and other technologies have opened up the aperture for a series of new political challenges and conversations. For existing work on these technologies, see Volpe (2019) (with regard to additive manufacturing), Buchanan (2017) (with regard to cybersecurity), Moreno (2016) (with regard to gene editing), McCreight (2013) (with regard to convergent technology across the various fields mentioned above), and Kirchhoff (2017) (with regard to artificial intelligence).

necessitate a revisiting of this concept. The third section turns to the practice of “new economic statecraft” by China, both with respect to its domestic market and its forays into global ones. In the fourth section, we turn to an examination of the Western response, focusing on recent strategies to address the rise of Chinese national champions and strategic investment in critical technologies that are seen to pose a security threat.⁴ The fifth section briefly considers the use of new economic statecraft with examples of Japanese and Korean policies. We conclude by discussing the implications of these trends for both theorizing about security and economic statecraft.

Economic Statecraft: Old and New

Mastanduno and others have critiqued security scholars for their limited integration of economics into debates regarding the causes and consequences of international conflict. With that said, a number of scholars in the past have attempted to consider how economic considerations frame great power politics (Blanchard & Ripsman, 1999; Mansfield & Pollins, 2001; Mastanduno, 1998, 1999). For example “economic statecraft” as a concept emerged from theories of structural power, with Baldwin (1985) arguing that states use economic tools as a means to further their security objectives.⁵ Similarly, Gowa and Mansfield (1993) investigate the relationship between trade and military alliances, focusing on gains from trade and the allocation of resources for military development. But while these scholars address political economy concepts such as the relationship between military alliances and free-trade regimes, the literature on the indirect implications of free-trade regimes and other dimensions of economic integration related to geopolitical and strategic concerns has been limited (Gowa & Mansfield, 1993). This original scholarship concerning economic statecraft frames economic policy instruments as complementary to military objectives, for example through the use of sanctions as a coercive tool, but does little to address the potential for security externalities arising from economic development among geopolitical rivals (Chan & Drury, 2000).

More contemporary scholarship concerning economic statecraft examines the implications of economic development in a globalized economy where security,

⁴We are currently working on a broader paper that focuses on regional and transregional institutional strategies and the strategies of both great and middle powers.

⁵The grand strategy literature also acknowledges the economic aspects of national policymaking, even if much of the literature remains focused on military capabilities and objectives. Goldstein (2005), for example, describes grand strategy as “the distinctive combination of military, political, and *economic* means by which a state seeks to ensure its national interests.”

technology, and innovation are highly interdependent (Farrell & Newman, 2019). Although the traditional economic statecraft literature focuses on linking economic tools like sanctions with security objectives, new research extends this concept to security externalities arising from an interconnected economy characterized by rapid technological development (Mowery, 2008). While some argue that the defense technology industry will continue to direct the trajectory of defense innovation, the existing literature points to the necessity of dual-use technology development to sustain both novel product and process innovations in the information age (Dombrowski & Gholz, 2006, 2009; Molas-Gallart, 1997). The theoretical foundations of “new economic statecraft” draw upon the literature on the economics of innovation, but expand their scope by discussing the security of the state through the framework of national innovation systems (Christensen, 1997; Kennedy & Lim, 2018; Nelson, 1993; Reppy, 2000).⁶ Given the increasing importance of technology transfer, innovation networks, and associated spillover effects on economic foreign policies, we argue that it is necessary to have a broader reframing of economic statecraft beyond the use of economic policy to further military objectives.⁷

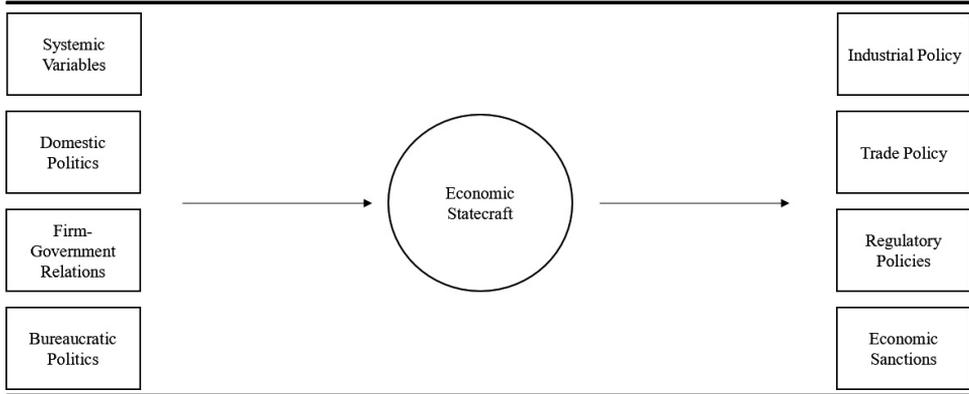
Table 1 outlines the theorized determinants of new economic statecraft. While the causal relationship between the variables is not developed formally here, the interplay between system-level, domestic politics, bureaucratic politics, and firm–government relations influences both the magnitude and type of intervention in their respective markets. The manifestation of economic statecraft, we suggest, can be found in industrial policy measures used to boost strategically important sectors of the economy, trade policy vis-à-vis foreign competitors to private industry, regulatory policies that proscribe or condition market activities, and the use of economic sanctions as a lever of coercion. We argue that both system- and domestic-level variables condition policy creation and practice.

As noted in Table 1, industrial policy, trade instruments, regulation, and sanctions each represent important tools to maintain the cutting edge of military technology for superpowers including the United States, China, and Russia as well as middle

⁶These scholars also emphasize the systemic processes that facilitate innovation rather than single-purpose products with limited civilian applications: see Bracken, Brandt, and Johnson (2005) and Cheung (2011).

⁷Technology transfer refers to a situation in which the products of research and development necessary for the development and fabrication of a product travel across a border. Generally, the term is used to describe situations in which this type of transfer is illicit or viewed to be undesirable. Innovation networks refer to the various institutions necessary to create new technologies that include universities, government labs, and private industry along with investment vehicles that fund research and development.

Table 1.
The Determinates of Economic Statecraft



powers maneuvering between competing interests (Brautigam & Tang, 2012; Cai, 1999; Zhang & Keith, 2017). Chinese policies provide a critical example of new economic statecraft as Beijing increasingly uses industrial policy to support and expand industries vital to its national defense innovation system, with civilian–military integration as a cornerstone of industrial policy (Cheung, 2008; Mansfield & Pollins, 2001). Innovation in dual-use technology is a key part of Chinese security strategy, with concerns of human capital, mandating technology transfer, and focusing domestic policy toward indigenous innovation rising the forefront of its policy agenda (Kennedy & Lim, 2018).

Although “new economic statecraft” is an essential component of U.S.–Chinese strategic competition, it also extends to middle powers navigating great power rivalry through linking economic externalities with security objectives in both domestic and foreign policies (Molas-Gallart & Sinclair, 1999; Schweitzer, 2000). For example, India is pursuing certain aspects of NES, using investment and strategic negotiations in addition to sanctions and trade agreements, to maintain its competitive edge against China and Russia (Ahuja & Kapur, 2018; Sinha, 2016). Japan, too, leverages its investment and developmental aid to the Kurile Islands to build support and economic linkages with the locals as Russia jostles for political control (Randall, 2001). In the following sections, we analyze how trade, investment, and industrial policy represent critical tools of new economic statecraft and provide evidence from rising, established, and middle powers to develop these points.

New Economic Statecraft: The Chinese Model

China has long been an exponent of new economic statecraft in its use of industrial policy, promotion of national champions, and investment regulation. While China's accession to the World Trade Organization (WTO) in 2001 led investors and analysts alike to believe that the country "had arrived" in terms of a commitment to neoliberal economic policies, the reality has been more complicated.

Over the past decade, the Chinese state has begun to pursue a more aggressive role in the economy, belying the excessive confidence in policy convergence with the West. Following the 2008 global financial crisis and China's massive fiscal stimulus in response to it, Naughton and Tsai (2015) argue that the Chinese economy reflects "state capitalism" in that it is characterized by direct control of strategic sectors, party control over personnel, a market foundation for large swaths of the economy, extensive industrial policy formulation on the part of the government, and continued state control over finance.

With the rise of Xi Jinping as head of state, the party leadership has asserted that the market will play "a decisive role" in the economy on the one hand while pledging to "persist in the dominant position of public ownership" on the other (Economy, 2018). But Xi Jinping's "Made in China 2025" initiative to become a global leader in advanced technologies like aerospace and computing is being increasingly carried out through investment decisions by bureaucrats and party officials through government-guided funds (Lardy, 2018). Indeed, the Chinese leadership is explicit about its hopes for state-owned firms to become national champions and compete with multinationals from around the world.⁸ As China continues to mix state and market forces in 2019 and beyond, the ebbs and flows of that balance warrant attention as economic and technological competition with the United States becomes more acute.

These shifting dynamics between the United States and China highlight the importance of "new economic statecraft" in strategic competition. China has striven to match U.S. innovation capabilities and strengthen its national security framework by implementing certain policy measures that are discussed in greater detail in the following (Cheung, 2017).

⁸For example, Xiao Yaqing, the head of the State-Owned Assets Supervision and Administration, has emphasized that firms under the agency's auspice are becoming larger and ever more capable of serving a global role (Lardy, 2018, p. 122). See also Chapter 4 of Economy (2018) for a discussion of the reform of SOEs amidst goals of them becoming national champions.

Controlling the Domestic Market

The reality of China's move toward capitalism was quite different than the path outlined by convergence advocates. With respect to its industrial policy, China has continued to intervene in the market, both at the central government level and the provincial level. Moreover, although it continued to encourage foreign direct investment (FDI), it has maintained a policy of tight investment control since its creation of special economic zones.

The Sino-Foreign Equity Joint Venture Law of 1978 permitted foreign investment in China, but with a host of strict regulations, management, and oversight.⁹ In the 1990s, China created "The Catalogue" to monitor investments by distinguishing between investments that were encouraged, restricted, and prohibited, thereby providing sectoral restraints. Examples of prohibited investments in the 1990s included the power industry, telecommunications, broadcasting, and military arms, with conditions on the type of technology that firms could bring in that set the stage for later national security-oriented legislation. The Catalogue existed through 2017 when the Reform and Development Commission created a "negative" and "positive list" system that encouraged areas for foreign investment. The timing is intriguing insofar as it coincides with the confrontation between the United States and China regarding trade and technology theft. As part of this effort, the government created a specific National Security Review process to focus on merger and acquisition (M&A) activities in 2011. Any domestic companies in defense-related industries that included agriculture, energy, resources, transportation, and technology could all be subject to review. The passage of the 2015 PRC National Security Law had set the stage for a much more significant national security process on M&A, modeled in part on the Committee on Foreign Investment in the United States (CFIUS) and 2018 legislation in the United States known as the Foreign Investment Risk Review Modernization Act (FIRRMA). This was bolstered by the June 2017 Cybersecurity Law, which affected network operators in the critical sectors that were already subject to review but put restrictions on data storage and transfer.

Under pressure from the Trump Administration, the government passed a new version of the country's Foreign Investment Law on March 3, 2019. Effective as of January 1, 2020, Art. 22 specifies that "The State protects the intellectual property rights of foreign investors and foreign-invested enterprises. . . Administrative organs and their employees must not force the transfer of technology through administrative

⁹This subsection draws from Aggarwal and Reddie (2019).

measures.” At the same time, Art. 6 broadly declares that foreign investors or foreign-invested enterprises “must not endanger China’s national security or harm the public interest.”¹⁰ Most recently, the Chinese Government announced a forthcoming list identifying “uncertain entities”¹¹ or firms that pose a threat to Chinese security. Government officials say the list will not target specific industries or individuals, but it is possible that China’s increased domestic regulations is a response to increasing pressure from the Trump Administration (Cheng, 2019).

China’s Growing Outward Focus

Alongside efforts to bolster its domestic industry, Beijing has leveraged its market size and market access to enact technology transfer regimes and to influence the foreign policies of its near neighbors.

Technology Transfer

At the same time as China seeks to bolster the growth of its domestic firms through various industrial policy measures, it has made significant changes to its engagement abroad. The extension of its aid portfolio and investment in emerging markets, particularly in East and Southern Africa, have been well documented, given its effects on the global flows of rare earth minerals and other materials used in high-tech manufacturing (Alden, 2005; Chen, Dollar, & Tang, 2016; Scoones, Amanor, Favareto, & Qi, 2016; Shinn, 2016; Zeng, 2015). Less scrutinized, however, is rapidly growing Chinese investment in developed markets with a view toward owning and developing intellectual property (IP). Following the release of its “Made in 2025” policy in 2015, investments originating from Hong Kong, China, and Taiwan increased from US\$2.3 billion in 2014 to US\$9.9 billion in 2015 (the amount of investment coming into the U.S. market from Hong Kong, China, and Taiwan was less

¹⁰An English translation of this new legislation is available at <<https://www.chinalawtranslate.com/en/foreign-investment-law-2019/>> .

¹¹An alternative translation from Chinese is “unreliable entities” (不可靠實體, *bu ke kao shiti*, is used in Chinese language reports and press conferences). On June 27, 2019, a Ministry of Commerce spokesperson cited four criteria for an entity or individual to be blacklisted:

- (1) Behavior that impedes, fails to pay, or discriminates against Chinese firms.
- (2) Behavior that is basically non-competitive in its purpose, counter to market rules, or in breach of contracts.
- (3) Behavior that results in substantive losses to Chinese enterprises or related industries.
- (4) Behavior that constitutes a threat or potential threat to national security.

Our thanks to our Research Assistant Phil Rogers for his translation. Details of the press conference noted above can be found at <<http://world.huanqiu.com/article/9CaKrnKlbdh>>.

than US\$500 million in 2011) (Bennett & Bender, 2019). However, Chinese FDI in the United States dropped to US\$4.8 billion in 2018 — down from US\$29 billion in 2017 and US\$46 billion in 2016 — amid more restrictive U.S. investment policies (Hanemann, Gao, & Lysenko, 2019). Among these, Tencent, HAX, IDG Capital Partners, and the Alibaba Group have been some of the most active participants in the U.S. market — predominantly via their involvement in California-based venture capital during seed and Series A rounds of investment (“The Rise of Chinese,” 2016). Recent examples of Chinese investment in U.S. firms working on artificial intelligence (AI) include Baidu and JD’s investment in ZestFinance and Tencent backing ObEN (both AI firms are based in California). It remains unclear whether the new FIRRMA legislation passed in the United States will re-shape the patterns of these financial flows.

Beyond making strategic investments in firms working on emerging technologies, the U.S. Defense Innovation Unit (DIU) has noted that Beijing has also used several other licit and illicit strategies to garner IP. These other tools include industrial espionage via cyber-theft, Chinese-based technology transfer organizations that are used to track and reverse-engineer products created by foreign firms in China, U.S.-based firms used to recruit human capital, and leveraging academic partnerships (Brown & Singh, 2018). These activities have led the United States and Europe to leverage their own economic levers to address these policies.

Sanctions Policy

Alongside its efforts to garner intellectual property from private firms, Beijing is also increasingly using its sanctions policy to shape the foreign policy prerogatives of its near neighbors. As Nephew notes, while China has long been a recipient of sanctions, Beijing is becoming increasingly well versed in deploying sanctions in pursuit of its interests (Nephew, 2019). Recent interventions include raising tariffs on mining products from Mongolia following the Dalai Lama’s visit, curtailing exports from Norway following the 2010 decision by the Nobel Committee to award a Chinese dissident, Liu Xiaobo, and banning Philippine goods in 2014 following a dispute between Manila and Beijing regarding the Scarborough Shoal (Economy, 2018, p. 202; Harrell, Rosenberg, & Saravalle, 2018). Beijing also successfully deployed economic sanctions against South Korea’s tourism industry following its decision to host U.S. THAAD missile defense systems on the peninsula (Kim & Blanchard, 2017; Volodzko, 2017). China has also variously used economic carrots and sticks to influence the choices of regional states with regard to the recognition of Taiwan (Dou, 2019).

Taken together, these episodes suggest that Beijing is increasingly considering a broad use of economic tools in pursuit of its national interest. It is important to note,

however, that most of Beijing's sanctions are focused on states with which China enjoys an asymmetric advantage. This raises the question of how middle powers in the region, specifically Japan and South Korea, are employing their own levers of economic statecraft to influence the distribution of power in the region — particularly given their close relationship and reliance on Washington for extended deterrence.¹²

New Economic Statecraft: The Western Response

The geopolitical consequences of China's economic rise have elicited an increasingly aggressive response from Western countries for over the past decade long before the dramatic acceleration with Trump's trade and investment policies. These efforts have both targeted China's domestic industrial policies as well as its outward push to acquire markets and technology through FDI. We consider each in turn.

Pressuring China on Its Industrial Policy

From 2004 to 2019, the United States filed 23 cases in the WTO — in some cases driven by pressure from U.S. companies who have criticized their inability to invest freely in China or who have faced barriers to entering the Chinese market. While the WTO has often ruled in favor of the United States and other Western countries, various cases concerning subsidies, countervailing duties, and intellectual property rights remain unresolved. Outside of the WTO process, the Trump Administration appears to favor unilateral tariffs based on a variety of U.S. trade laws. In 2018, the U.S. imposed tariffs on solar panels, washers, steel, and aluminum. It has also threatened restrictions on autos and auto parts, targeting both friends and foes alike. But from a new economic statecraft perspective, American efforts to address China's "Made in China 2025" policy through the use of tariffs under Sec. 301 and new FIRREA legislation are the most significant development to directly target China's domestic industrial policy.¹³

Using Sec. 301 in August 2017, the Trump Administration asked the U.S. Trade Representative's office (USTR) to consider whether China has implemented laws or policies that adversely affected the United States with respect to intellectual property

¹²South Korea, for example, faced Chinese sanctions following its decision to allow U.S. deployment of the THAAD missile defense on the Korean peninsula (McGuire, 2017). See also Kim and Blanchard (2017).

¹³China lodged a series of complaints against the United States in the WTO in response to these measures.

through forced technology transfers (USTR, 2018, p. 4). On March 22, 2018, USTR found in the affirmative, and the president proposed tariffs, called for a WTO case, and recommended investment restrictions (USTR, 2018). In July 2018, the first stage of import restraints with a tariff of 25% went into effect on about US\$34 billion of goods. In August, an additional US\$16 billion of Chinese imports were slapped with 25% tariffs. In the third stage, the U.S. imposed a 10% tariff on US\$200 billion of imports, effective September 24, 2018. These are slated to increase to 25% on January 1, 2019. For its part, China has retaliated against the initial US\$50 billion with its own 25% tariffs on US\$50 billion, and now has 5–10% tariffs on an additional US\$60 billion of imports from the U.S. In response to the most recent round, China announced that as of June 1, there would be an increase on US\$60 billion of imports that was initially targeted but not implemented back in September (Pramuk, 2019). The Trump Administration had said these tariffs are intended to get China to negotiate, but responded to the most recent retaliation by saying that Washington would impose tariffs on the remaining US\$267 billion of imports from China in a fourth stage (Lynch & Paletta, 2018).

Negotiations between Washington and Beijing appeared to be moving forward in 2018, and a tranche of U.S. tariff increases scheduled for March 2 were postponed. These negotiations represent an attempt to address sectoral issues related to the trade deficit between the two countries as well as broader structural issues in the Chinese economy — namely, state control of economic activity — that Washington contends have led to an unfair playing field for foreign firms. The trade talks between Washington and Beijing have been in a stop-and-go holding pattern. A meeting between President Trump and President Xi scheduled during the June G20 talks in Japan under uncertain conditions failed to yield a breakthrough agreement of any kind (Lee, 2019). President Trump announced the imposition of duties on US\$300 million of imports not already subject to a 25% tariff in the weeks following the G20 Summit. These developments over the summer of 2019 left expectations for an escalation and not a settlement of the trade war (Churchill, 2019), China and the United States agreed to a so-called Phase One Trade Deal in December 2019 that requires structural reform to China's economic and trade regime with regard to intellectual property, technology transfer, agriculture, financial services, and currency/foreign exchange. Under the agreement, the United States has agreed to significantly modify its Sec. 301 tariffs, China has agreed to increase its import of particular U.S. goods by no less than US\$200 billion to above 2017 levels, and both sides have agreed to a dispute resolution arrangement that creates regular bilateral consultations at both the principal and working levels (USTR, 2019).

Addressing China's Outward FDI Drive

As noted above, China's domestic industrial policies that are reminiscent of Japan's industrial policy efforts from the 1950s to the 1980s have led to an increasing outward push by Chinese firms to secure both market share and develop new technologies. Here, we focus on three types of efforts by Western countries to respond to this push: (1) the use of industrial policies to bolster strategic sectors of the economy and proscribe the activities of foreign firms; (2) the promotion of national champions as one key element of industrial policy; and (3) the regulation of Chinese FDI through national security reviews of foreign investment.

Industrial Policy

Among Western countries, the United States and Germany have largely eschewed industrial policy at the federal level in the post-WWII era. By contrast, France, Italy, and the United Kingdom all made efforts at various times to engage in vertical sectoral policies. In a systematic analysis of policies of the UK, France, and Germany from the post-WWII era until the 2010s, Owen (2012) argues that of the three, the UK made the most mistakes. By contrast, he argues that West Germany's limited intervention did the least damage. With respect to the French, he notes that efforts in industrial policy were mixed, but that the main problem encountered "was the preoccupation with national champions, which created some strong companies but had a distorting effect on the allocation of resources." We will turn to the question of national champions as a key form of industrial policy. Before we do so, however, we examine recent efforts to use industrial policy related to cybersecurity — an emerging technology that states have grappled with over the past decade — as an example of the varieties of policies available to policymakers to shape their domestic and international markets.

In a large number of Western countries, national governments have recently played a vital role in creating domestic cybersecurity-markets simply by becoming customers for cybersecurity-related goods and services (Aggarwal & Reddie, 2018). In France, for example, we see the use of coordinated procurement processes that are focused on building indigenous capabilities. These policies, designed to serve as a "sovereign solution" to the cybersecurity challenge, are enshrined within the *Loi de Programmation Militaire (LPM) 2014–2019* (Military Programming Law) (D'Elia, 2018). Such policies reflect a long tradition in which Paris has invested substantial public aid in support of the French IT market. In the United States, the government and military are major consumers of cybersecurity-related goods and services and have

government-linked venture capital arms devoted to maintaining their supply (Aggarwal & Reddie, 2018).

Many Western governments have also taken measures to promote their own firms in cybersecurity markets while limiting the participation of foreign ones, a process we call *indigenization*, in which states seek to create markets where both supply and demand are largely domestic. While some nations like Japan have opened their markets to foreign cybersecurity products to compensate for a lack of indigenous capacity, most have been skeptical of relying on foreign firms, preferring instead to create the conditions for national firms to build expertise. This skepticism appears to be growing in the United States, as evidenced by limits placed on the procurement of technology from China's Huawei and ZTE or the use of products from the Russian anti-virus firm Kaspersky Labs amid concerns that these companies may provide undue access to Beijing or Moscow, respectively.

The Trump Administration, for example, recently announced a ban against American companies providing hardware and software to the Chinese technology company Huawei citing security concerns, with implications for businesses and governments globally amid questions about how these regulations would be implemented (Waters, Hille, & Lucas, 2019). Panasonic subsequently suspended business with Huawei in line with Trump's policy, while UK chip manufacturer ARM less enthusiastically followed suit, facing losses from patents filed in the United States ("Huawei Ban," 2019; "Panasonic Examines," 2019). It remains unclear whether Huawei's partners with U.S. operations will cut ties with the Chinese firm as a precautionary measure or only on direct orders from Washington. The ban is also pushing the UK to reconsider its stance on Huawei, with inopportune timing for policy coordination as PM Theresa May was replaced by PM Boris Johnson ("Shocked British Officials," 2019). While European telecommunications firms see an opportunity to expand their market share where the ban is enforced, Huawei's low-cost 5G wireless network is an enticing prospect to European governments (Nakashima, 2019). Trump's retaliatory policy is certainly destabilizing for the telecom industry, creating challenges for both political and businesses allies affiliated with Huawei along the global supply chain. Despite the market uncertainty, China granted Huawei a 5G license for domestic commercial use following the ban and threatened counter-sanctions, which suggests that the Chinese Government will forge ahead with an industrial policy that supports the telecom giant (Liao, 2019).

To address technology transfer concerns, states also rely on export controls and procurement rules to limit the ability of domestic cybersecurity firms to take part in international markets. The United States, for example, has enshrined export control in

the Arms Export Control Act, while the United Kingdom limits exports through the Cyber Security Export Strategy and National Cyber Security Strategy (Carr & Tanczer, 2018). The European Union has moved forward with plans to institute export controls on technologies related to cyber-surveillance, much to the chagrin of BAE Systems and other private firms in the cyber-sector that must liaise with each respective government to determine appropriate technology sales (and potentially lose customers abroad to foreign competitors) (Timmers, 2018).

Promoting National Champions

One particularly important form of industrial policy is the use of national champions, which despite being discredited in the view of many analysts, has made a comeback. France had historically promoted the two national champions Usinor and Sacilor in its steel industry, and the two were merged in 1986. Similarly, the UK created British Steel out of 14 separate companies in 1967, while the Japanese helped Nippon Steel among others to become globally competitive. In the computer sector, the French created *Compagnie Internationale de l'Informatique* (CII) in 1966, the British created *International Computers Limited* (ICL) in 1968 through various mergers, and the Italians bailed out their troubled Olivetti. All of these efforts sought to compete with IBM in vain. CII was taken over by Honeywell-Bull in 1976, ICL was absorbed by Fujitsu in the 1990s following a government bailout in 1981, and Olivetti became part of Telecom Italia.

With privatization all the rage in the 1980s, the failures of government-led initiatives to create and sustain national champions were seen at best as a pipedream. Yet with the perceived threat from Chinese SOEs in becoming global behemoths,¹⁴ promoting national champions is once again back on the agenda. In Europe, concerns about Chinese competition have led to calls for the creation of national and European-wide champions. Long a staple of French industrial policy as noted, the most striking shift came from Germany. German Economy Minister Peter Altmaier together with French Economy Minister Bruno Le Maire issued a “Franco-German Manifesto for a European industrial policy for the 21st century” on February 19, 2019. In addition to calling for support for technology innovation and the enforcement of rules on public procurement, trade, and investment, it called for a change in competition rules to enable the creation of national and European champions. Underlying this shift in policy was the EU Commission’s decision to block a merger between Alstom and

¹⁴In 2005, 18 Chinese companies have made the Fortune Global 500 list, by 2010, 47, and in 2018, 120.

Siemens earlier in February. Even Angela Merkel criticized this decision, noting that it “leaves me in doubt about whether we can really produce global players this way.” This shift in thinking has manifested itself even in the *Financial Times*, which is normally market-focused and highly critical of industrial policy efforts. As an editorial by the board noted on February 5, 2019, “There is a case for targeted subsidies to create a battery maker of scale in Europe. As for AI, a state-funded pan-EU venture may be the only way for Europe to stay in the race.”

In the United States, the success of technology firms such as Alphabet, Facebook, Amazon, and others have diminished the calls for government support for their activities (Owen, 2017). However, the relationship between these firms, their workers, and the government has remained a source of debate in the wake of Google pulling out of Project Maven, an initiative designed to bring AI tools into the U.S. Department of Defense, and concerns from Microsoft employees regarding the Pentagon’s use of augmented reality headsets for training and operations.

National Security Review of Foreign Direct Investment

The U.S. Government has rapidly increased its regulatory role in foreign direct investment. Implementing new legislation on national security review oversights of FDI has become the latest approach to dealing with China’s outward FDI push. For example, in 2018 the United States passed a legislation known as FIRRMA to expand the oversight procedures of the existing CFIUS process to include even minority stakes in American companies — including those from venture capital and private equity firms. Germany has also passed new laws after becoming deeply concerned about Chinese investments, and has been joined by the UK, Italy, France, and others. For its part, the EU has also created a framework effort to manage the new disparate FDI regimes in its member states.

Turning first to the United States, the CFIUS process has traditionally been focused on controlling stakes taken by foreign firms in U.S. companies or multinational companies with contracts related to U.S. critical infrastructure. These “traditional” pathways of regulation, however, turn a blind eye to how a number of countries engage with American firms, particularly those in the technology sector working on emerging technologies that include artificial intelligence, quantum computers, and next-generation space systems. While the role of Chinese investment funds and Chinese funding for traditional venture capital firms in the U.S. has been well documented, it has been largely absent from a public discourse that has instead focused on procurement guidelines (specifically related to Huawei and ZTE) and U.S.–China trade concerns. The 2018 FIRRMA legislation has put these issues back on the agenda

by expanding the types of foreign activity in the U.S. market that are subject to oversight. Specifically, FIRRMA lowers the threshold for investigating foreign investment to include any foreign “non-passive” investment in companies involved in critical technology. The technologies discussed during the floor debate concerning the passage of FIRRMA in the House of Representatives included artificial intelligence, robotics, augmented and virtual reality, new biotechnologies, new financial technologies, and advanced materials. According to Croley, Potter, Concannon, Carnegie, and Shapiro (2018), FIRRMA changes the jurisdictional framework by extending CFIUS review to “any investment that relates to a U.S. business owning or maintaining ‘critical infrastructure’; a business involved in the development, design or production of ‘critical technology’; or a business collecting or maintaining ‘sensitive personal data’ of U.S. citizens, in the event that the investor acquires (in connection with the investment) ‘any material nonpublic technical information’; is granted membership or observer rights on any board of the business; or has ‘any involvement’ in the decision-making of the business.” Importantly, this means that transactions that do not lead to foreign control of a company are still subject to disclosure, review, and investigation.

For some, this is a welcome amendment to the CFIUS review process. The U.S. Department of Defense’s DIU, formerly DIUx, has a series of reports outlining how Chinese investments have contributed to technology transfer across the Pacific, arguing that the existing traditional CFIUS review process has at best only been partially effective (Brown & Singh, 2018).

There are clearly significant challenges associated with the new legislation. First, the U.S. Treasury Department and other enforcing agencies face a series of decisions concerning which technologies will be subject to heightened scrutiny and control and whether some countries — particularly U.S. allies — are to be exempted from the requirements. Second, companies will have to amend their own procedures and auditing processes regarding foreign investment and resulting voluntary declarations to CFIUS review. Both concerns are suggestive of the difficult balance that policy-makers and companies in the U.S. must strike related to national security considerations while maintaining an open investment environment. But the changes we have seen in new legislation, driven in large part by Chinese foreign investment, are hardly restricted to the United States.

In Europe, the United Kingdom has moved forward to strengthen national security reviews of investment rather than only relying on the existing Competition and Markets Authority, a body which is based on a 2002 law that allowed the government to examine mergers based on national security considerations. The new approach, proposed in a July 2018 White Paper, specifies triggering events based on varying

levels of shares and assets (“National Security and Investment,” 2018). While parties to a transaction are encouraged to voluntarily submit their proposed acquisition to the government, the government can also initiate a review of transactions on its own. In terms of likely impact, the White Paper predicts that approximately 200 cases will be subject to review on a yearly basis, with about 50 requiring some mitigating action on the part of the parties in light of national security concerns. This proposed approach is likely to be instituted by 2020, and venture capital firms, law firms, pension funds, and others have responded by expressing concerns about the possible uptick in cases that will fall under national security review. Under the 2002 law, only nine cases were subject to government intervention (Martin, 2018).

In continental Europe, France has regulated and blocked FDI since 1966. Its 2004 law expanded the sectors that would be subject to review from weapons to include infrastructure investments such as electricity, gas, oil, and water. Pending approval of the French Senate, the PACTE Law first proposed in June 2018 will expand its sectoral overview to AI, data, space, cybersecurity, dual-use goods, robotics, and the like. The bill gives the government the right to suspend voting rights and dividend distributions, appoint a trustee in the company to oversee French interests, and sell French assets. Moreover, both acquiring and target companies can seek a review by the Ministry of Economy for their opinion of the investment.

Germany has for the most part been very welcoming with respect to FDI, with few restrictions for national security. Very recently, this has begun to change dramatically. Since 2004, the German Ministry for Economic Affairs and Energy has had the power to review M&A activity in security-related industries that include military equipment and IT products used for encryption. This review was extended in 2009 to include any M&A activity by non-European investors if a foreign entity acquired more than 25% of voting rights. In the aftermath of concerns about a 2016 acquisition effort by a Chinese company of a German industrial robotics company and a proposed chip company acquisition in 2017, the scope of review was expanded to include critical infrastructure, cloud computing, telematics, and some key software. The 25% threshold was lowered to 10% for sector-specific acquisitions that might impinge on national security, and the scope was expanded to include the media in December 2018.

The EU has long coordinated trade policy but has done little with respect to creating common national security review policies on FDI. Currently, only 14 of the EU member states have a national security screening procedure on FDI. But beginning with a European Commission proposal in September 2017 for the development of a framework to screen FDI entering the EU, the EU quickly acquired both Parliamentary and Council approvals by July 2018 for a proposed agreement on November 20, 2018.

Following approval by Parliament this year, the framework is likely to come into effect in November 2020. The accord does not call for a single common policy but for information exchange on best practices and allows the Commission to “issue opinions in cases concerning several Member States” (“Commission Welcomes,” 2019). With respect to its scope, the deal covers critical infrastructure and technologies, robotics, AI, cybersecurity, dual-use products, media, and broader infrastructure — similar to the coverage of the new German FDI laws.

Middle Powers in the Asian Context

In line with the broader thrust of this Special Issue, we provide a brief example of economic statecraft enacted by middle powers as they respond to China’s growing use of economic statecraft outlined above.¹⁵

The Economic Determinants of Middle Power Foreign Policy

Much of the existing literature concerning middle powers takes its cues from middle power strategies during and immediately following the Cold War.¹⁶ Amid China’s rise, the concept of “middle powers” has continuing relevance and offers a useful prism through which to consider the hedging strategies used by regional powers in general and the use of economic levers as part of this strategy in particular. For our purposes, we suggest that middle powers represent those states that are able to influence the conduct of great powers — in this case the United States and China — while engaging in balancing, bandwagoning, and hedging behavior vis-à-vis the rising and status quo states. Often, this behavior is explored in a treatment of various alliance relationships that privilege the security relationships between these states. As is the case above, we suggest below that economic policy represents an important lever of middle power policymaking and explore the use of these tools in the Japanese and South Korean cases below.

Tokyo’s Economic Statecraft

Tokyo has long used economic statecraft to focus public investment in strategic sectors of its economy, and this practice has been well documented in the existing

¹⁵For a discussion of the definition of a middle power, see Chapnick (1999). For a historical treatment, see Holbraad (1984).

¹⁶On the application of the “middle power” concept to contemporary issues, see Cooper, Higgott, and Nossal (1993).

literature (Bartlett, 2018; Johnson, 1982; Okimoto, 1989). These policies have contributed to Japan's leadership in high-tech industries and have in general been augmented by the provision of foreign direct investment. This leadership, however, has made it the target of the technology transfer schemes employed by Beijing and described in detail above.

In response, Tokyo has introduced new legislation that substantially amends the Foreign Exchange and Foreign Trade Act (FEFTA) to tighten reporting requirements associated with foreign investment (Harding & Lewis, 2019). Passed in late 2019, this legislation requires regulatory approval for investments of 1% or more for specific strategic sectors of the economy identified by the governance of a Japanese company's shares, a reduction from the threshold of 10% under existing rules (Suzuki, 2019). The new rules also call for more stringent oversight of strategic sectors of the economy to include national security, public order, public safety, and "the smooth operation of the Japanese economy." It is understood that these sectors will include economic activities related to weapons, Internet technology and communication (ICT), aircraft, nuclear energy, agriculture, and shipping. Interestingly, U.S. firms that have traditionally provided Japanese companies with foreign direct investment and other opponents of the legislation have communicated their concern that the new legislation will lead to a drop in FDI into Japan. Indeed, the uncertainty regarding the downstream consequences of the legislation is emblematic of the broader challenge facing Japanese policymakers as they orient themselves between China and the United States.

Seoul's Economic Statecraft

The story in Seoul is similar in that a long history of state intervention in the country through industrial policy has shifted toward making sure that sensitive sectors of the economy are protected from foreign technology transfer via intellectual property theft (Chang, 1993; Westphal, 1990). To this end, various efforts have been taken to bolster the existing Act on Prevention of Divulgence and Protection of Industrial Technology "to prevent undue divulgence of industrial technology and protect industrial technology in order to strengthen the competitiveness of Korean industries and contribute to national security and development of the national economy."¹⁷ Unlike the Japanese case above, Korea has used punitive sanctions rather than regulatory oversight in this policy shift. As an example of this policy in action, nine individuals

¹⁷Enforcement Decree of the Act on Prevention of Divulgence and Protection of Industrial Technology (No. 28212 updated on July 26, 2017). See also: Rules on Foreign Investment (Notice No. 2016166, September 22, 2016).

working from a Samsung supplier (Toptec) were indicted in November 2018 for leaking flexible display technology to a Chinese firm. Interestingly, South Korea's own businesses via industry associations — including the Korea Semiconductor Industry Association — have played an important role in driving this process forward.

Many of these measures and particularly new rules concerning foreign investment in strategic industry mirror the renewed use of economic statecraft by Washington and European states noted above.

The Consequences of Economic Statecraft

As we outline above, both inward- and outward-facing economic policies have both political and security externalities. Moreover, we suggest that economic statecraft should be broadened from a traditional framing around economic coercion to include all of the economic tools at a government's disposal to affect its strategic position. Moreover, we argue that economic statecraft represents a core aspect of strategic competition involving China, the United States, and middle powers in the Asian context.

This paper provides empirical examples of economic statecraft for further examination and outlines a research agenda that considers the causes and consequences of economic statecraft. As we note throughout, a number of issues are ripe for future, policy-relevant scholarship. In particular, patterns of investment, technology transfer efforts, and regulatory efforts to protect R&D related to emerging technologies are likely to be particularly important given the conjectured consequences of these technologies for the balance of power. Second, analysis of regional networks, particularly in East Asia and Europe, is needed to consider the effect of reinvigorated strategic competition on global supply chains. In East Asia, for example, Beijing has played an increasingly integral economic role that has transformed its relationship with its smaller neighbors while also making territorial claims in the South China Sea (Norris, 2016). While these developments have been well documented, China's use of strategic investments in its private sector as well as promoting investment in emerging technologies abroad has not hitherto been well documented in the existing theoretical literature, particularly as it relates to the conduct of Chinese firms in the Japanese and South Korean markets.

In light of this re-framing of economic statecraft, there are three natural extensions of the arguments made in this paper. First, scholars might consider how economic statecraft contributes to changes in existing global and regional governance

mechanisms. As noted above, international arrangements have been important to the extant global order. With that said, these arrangements face a number of challenges — not least in the realm of intellectual property — that include a number of efforts to create regional economic arrangements. These include Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP), which were both championed by the United States under President Obama while the former was abandoned by President Trump. They also include the Regional Comprehensive Economic Partnership (RECEP) and the Belt and Road Initiative supported by Beijing.

Second, more attention needs to be paid to the trade-offs associated with middle powers caught between a rising China and historical dependence on the United States. While the Japanese and Korean cases considered in this paper focus on addressing the activities of near neighbors, it is likely that the challenges faced by middle powers regarding how to appropriately balance, bandwagon, and hedge are traveling to other middle powers in Asia, Europe, and North America.

Finally, firm–government relations have traditionally been left out of security analysis despite their important role in financing, building, and procuring the very military technologies that states depend upon for their security. Taking these relationships into account may contribute to a more nuanced discussion of the causes and consequences of the security-oriented strategies undertaken by policymakers.

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Between a Rock and a Hard Place: How Lesser Powers Respond to Competing Great Powers in the Asia-Pacific Region

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In comparison to hegemony, lesser powers usually struggle for survival between two or more great powers under state power asymmetry, a perpetual phenomenon in international politics. With the rise of China and the increasingly strengthening role of the US in the Asia-Pacific region, it is important to learn how lesser powers manage their relations with the two. To explore this issue, we propose that the strength of state power will constrain the strategies of lesser powers as they choose between the US and China. Borrowing from existing theories and ideas on strategies that include balancing, bandwagoning, and hedging, we argue that the stronger a country's power, the more likely it will choose a balancing strategy. At the same time, the weaker the country, the more likely that it will go with bandwagoning. Regional middle powers will show varied strategy choices, as they possess a higher degree of freedom in choosing which great power to side with. To validate these arguments, we construct two indicators — differences in trade dependence on the US and China and differences in the voting score consistent with the US and China — to quantify the strategies of lesser powers toward great powers and examine whether the variable of strategies follows the expected pattern. Our analysis shows that countries in the middle of the

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spectrum of state power demonstrated great freedom in choosing strategies toward the two powers.

KEYWORDS: State power; lesser powers; balancing; bandwagoning; hedging; Asia-Pacific region.

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This paper examines the strategies that lesser powers have adopted amid the competition between two great powers — the US and China. Both at present and historically in international politics, a power asymmetry exists between states. Nevertheless, small and medium states do not simply face one great power but struggle for survival between two or more competing ones. Such a phenomenon has become obvious in the Asia-Pacific region, which has been profoundly impacted by the power shift and competition between China and the US. The rise of China, for example, has given rise to concerns about the changing distribution of power in the region and around the globe. Other regional states — those lesser powers — are obligated to redefine their strategies to adapt to the changing geopolitical landscape. However, strategy choices of these states have barely been studied.

In this paper, we argue that the strength of lesser powers, including small and medium countries, determines the way they engage with the two. The current literature both theoretically and empirically discusses and categorizes how less powerful countries will strategically take a stance between the two great powers for maximum gains. These strategies are balancing, hedging, bandwagoning, and a strategic triangle (Dittmer, 1981; Schweller, 1994; Wu, 1997, 2000). Despite their insights, few works examine the factors leading to the variety of strategies among less powerful countries. We attempt to fill this gap by looking into the effect of variations in state power on their strategies toward the two great powers. We propose that stronger states will be more likely to adopt a balancing strategy, while weaker countries will use hedging to avoid losses between China and the US. As the power declines and goes below a certain threshold, however, the country will have no other choice but to opt for bandwagoning.

To empirically test our propositions, we use data on state capability, trade dependence, and voting behavior at the United Nations (UN) to measure the strength, economic strategies, and political strategies of states caught in the competition between the US and China. We select 20 countries as important cases representing lesser powers in the Asia-Pacific region. By using quantitative indicators, we divide these countries into three groups — potential challengers, regional middle powers, and weak middle powers — and examine whether their economic and political strategies toward

the US and China vary systematically. We find that for potential challengers, the degree of Japan and India's trade dependence on China has increased relative to their dependence on the US. However, if we calculate the difference between their consistency in voting choice at the UN with the US and China, the difference remains roughly the same, suggesting that they are not significantly siding with either great power. According to the patterns regarding the economic and political choices of Japan and India, these states seem to be locked in a strategic triangle with China and the US. At the same time, we find that Russia acted differently by using a balancing strategy, particularly after 1991 when the collapse of USSR led to a sharp decrease in state power.

According to the data, regional middle powers over three decades showed no inclination toward China politically, but they did become closer to it economically. Nevertheless, they maintained a hedging strategy by which they carefully engaged with China and the US to avoid facing any situation where they would need to choose between either. In addition, Australia and Canada are particularly worth noting. In the data, we find that their behavior does not follow the general pattern of regional middle powers analyzed in this paper. In the years we record, their voting pattern in the UN General Assembly has been more consistent with the US, suggesting a trend of siding with the US in international politics which merits more exploration. As for the weak middle powers which we expected would adopt a bandwagoning strategy owing to China's rise and the irresistible gravity of its economy and geopolitical influence, the results show outcomes close to what we anticipated.

The rest of this paper is organized as follows. First, we illustrate our theoretical perspective about why the power of states will influence their strategies to engage with competing great powers. Second, we discuss the design of our research, including the method we use to distinguish the three groups — potential challengers, regional middle powers, and weak middle powers — and the measurement of the economic and political strategies of states. Third, we present our analysis of the strategy choices across the three groups.

Literature Review and Theory

Great Power Competition: The US and China

Over the last four decades, the rise of China and the increasing US–China rivalry in the Asia-Pacific region have become quite prominent and influential in international relations. China with its growing economy has gradually been challenging the hegemonic status of the US economically, politically, and even militarily. This attitude has intensified under the leadership of Chinese President Xi Jinping, who has made clear

his goal to rejuvenate China even as US President Donald Trump has taken a strong stance against the country's rise. The top leader of the Chinese Communist Party (CCP) Xi Jinping coming to power in 2012 marked a major transition in China's foreign policy and grand strategy toward the world, moving from Deng's legacy of "keeping a low profile" to a more engaged approach described as "striving to achieve." This shift dramatically altered China's foreign policy orientation. One significant change was an increase in assertiveness in its global activities and international engagement (Tsai, 2017). In response, Trump in 2017 turned his geographic focus from the Asia-Pacific to the Indo-Pacific region, aiming at the containment of China, which he saw as a potentially powerful threat. For this, the US has taken a more belligerent position toward China's global expansion. Looking at more and more conflicts between the two great powers, whether power transition that might incur military confrontations is taking place has also become a popular concern for students of international relations (Kim, 1991; Lemke & Reed, 1996; Mearsheimer, 2014; Organski, 1958; Organski & Kugler, 1981; Weede, 1976).

Scholars assess the potential impacts of great power competition in disparate ways. Whether such competition will change the international order and the strategies of middle powers is a topic of debate. For instance, Kang (2007) considers China's rise to be beneficial for East Asia. He argues that the country's military, while powerful, is territorial and defensive, and therefore should be a stabilizing rather than a threatening force. On the other hand, realist scholars such as Mearsheimer (2014) or Allison (2017) see the rise of China as a catalyst to the competition for hegemony between China and the US. Whether an ultimate confrontation is inevitable or not, the global order will surely change over time under increasingly fierce competition between the two great powers.

Under such competition, middle powers are forced to further understand or even accommodate the great powers. As Womack (2016, p. xvi) insightfully stated when discussing power asymmetry in international relations, "contact does not breed mutual understanding. Smaller countries are likely to have an exaggerated sense of their vulnerability, while larger states will be frustrated by their lack of control." The tug of war between the two great powers has a direct influence on changes in the strategies they employ to survive the competition. Below, we discuss the types of these strategies and how our analysis can contribute to the body of literature.

The Strategies of Lesser Powers amid the Great Power Competition

The growing competition between the US and China merits a question for the countries struggling for survival in between: how will they behave in the face of increasingly fierce competition between great powers? Scholars in international

relations have emphasized great power politics since 1970, when structural realism dominated the field (Waltz, 1979). Contrary to the assertion that small states should be a topic of great systemic attention in international relations studies due to their rapid proliferation in the international system, many students of international relations write about world politics simply by examining great powers. In this paper, we argue that at the international level, lesser powers behave in ways that are different from those of great powers.

Researchers have provided many insights on the strategy choices of lesser powers. In this subsection, we begin by discussing existing theories and ideas — bandwagoning, balancing, hedging, and the strategic triangle theory. According to the “neo-realist” school, the distribution of resources and power among states is key to security policies because it critically diminishes the freedom of action (Waltz, 1979). A large number of states in the international system are not great powers. Despite their lack of resources and power, they are much more likely to explore additional avenues that will enable them to take part in global activities in different ways.

Balancing versus Bandwagoning

Balancing and bandwagoning may be the most common of the strategies that lesser powers tend to adopt. Compared to the number of strategies that great powers have at their disposal, lesser powers have limited choices as they respond to great powers. Traditionally, the international relations discipline divides the strategies of small states into two types: balancing and bandwagoning (Wu, 1997). Literature on “balancing versus bandwagoning” is well established with a focus on how neo-realists explain the international structure. The starting point is clearly the balance-of-power (BOP) paradigm. Walt (1985, p. 12) defines it as a “formal or informal relationship of security cooperation, which assumes some level of commitment and exchange of benefits.” When facing a rising power, BOP theory predicts a balancing strategy that is either internal (building up military preparedness) or external (forming an alliance) (Walt, 1985; Wu, 2017).

On the contrary, for weaker states, bandwagoning with a threatening power for gains is in reality far more common than Walt’s assertion, and alliances can be formed not necessarily by threats but by interests (Schweller, 1994; Sweeney & Fritz, 2004). The key strategy of small states that are aware they lack the resources and capacity to influence the international system is likely to be bandwagoning rather than balancing with powerful countries for gains (Schweller, 1994).

Hedging

A hedge is an investment that protects finances from a risky situation with the goal to minimize or offset the chance that assets will lose value. In international

relations theories, hedging strategies differ from those used when facing existential threats that require balancing alliances or bandwagoning for profit. Hedging is a risk-minimization strategy, similar to the strategy of “not putting all the eggs in one basket,” which challenges the “balancing versus bandwagoning” model. Relations among states usually involve interests and conflict; thus, they might adopt cooperation and balancing at the same time. On the one hand, this strategy avoids radical conflicts that cause damage to national interests, and on the other hand, it also balances against potential security threats from rivals. Therefore, hedging has been the strategic response used by small states to deal with a power shift (Goh, 2005; Kuik, 2008; Medeiros, 2005; Weitsman, 2004).

Strategic Triangle

The strategic triangle theory is geared toward analyzing trilateral relations. There are four ideal types of a strategic triangle: a *ménage à trois* (three amities), a marriage (two enmities and one amity), a romantic triangle (two amities and one enmity), and a unit veto (three enmities). In a *ménage à trois*, all three players are “friends.” In a marriage, two “partners” act against an “outcast.” In a romantic triangle, two “wings” court a “pivot.” In a unit veto, all players are each other’s “foes.” With these four ideal types and six roles of friend, partner, outcast, wing, pivot, and foe, we can begin analyzing any triangular situation using the types and roles to describe objectively the structure of the triangular game (Dittmer, 1981; Wu, 2017).

How does state power influence the strategic choices of lesser powers as they face great power competition? We argue that the pattern of the relative power of the state is key for two reasons. First, the freedom a country has to decide upon a strategy toward great powers is determined by the amount resources or power it has at hand. For instance, a country with strong economy and military is less likely to depend on trade and external military alliances with and foreign investment from great powers. Russia does not need China to defend its borders, Japan did not have to beg for more trading opportunities or investment from the US in the 1980s, and India can independently practice its own diplomacy and policies without caring too much about pressure from China and the US. On the other hand, a weak country possesses considerably less sway in international economy and politics. Cambodia and Laos have been inevitably dependent on China considering the gravity of the Chinese economy. China has made massive investments into the two countries, aiming at gaining not just economic but also political conformity to its global strategy. Nevertheless, there might be countries in between that are not strong enough to resist the pull of great powers but have a certain degree of freedom in their strategy choices when dealing with US–China competition. This is where the variety in the strategy choices of states comes from.

Along the spectrum of state power, therefore, we should be able to see greater variation in strategies adopted by countries in the middle.

From the above discussion, there are clear incentives behind each strategy that lesser powers can adopt toward great power competition. Balancing is a security-seeking strategy which states pursue that seeks not to incline toward but to maintain close relations with each great power by balancing their influences. Bandwagoning, on the other hand, is a profit-seeking strategy as it is employed to gain specific benefits from one side. Hedging, in this sense, is an insurance-seeking strategy when the countries are trying to avoid potential losses from engaging with great powers.

As we have talked about in this subsection, the choice of strategy is a function of the strength of the state. A country is able to choose a security-seeking strategy when it has more strength to develop closer relations with great powers. Countries with less power can only afford to hedge, choosing not to become the ally of one great power because the losses from the other side would be too great. Being unable to reject great powers, the weakest countries are forced to choose a profit-seeking strategy. As such, borrowing the theories accounting for the strategic choices of lesser powers, our theoretical argument based upon the distribution of state power produces the following propositions:

- (1) The stronger a country in state power, the more likely it will adopt a balancing strategy to handle relations with great powers.
- (2) The weaker a country in state power, the more likely it will adopt bandwagoning to handle relations with great powers.
- (3) Countries falling in the middle of the spectrum of state power will be more likely to use a hedging strategy, but they also show large variation in strategy choices when handling relations with great powers.

Research Design

This paper mainly focuses on the strategies that states employ toward China and the US. We analyze 18 countries — Japan, India, Russia, South Korea, Taiwan, Canada, Australia, North Korea, Pakistan, Myanmar, Thailand, Cambodia, Vietnam, the Philippines, Malaysia, Singapore, Laos, and Indonesia. The reasons for picking these countries are twofold. First, most of these, especially those in East and Southeast Asia, provided the original inspiration for discussions on hedging, bandwagoning, and balancing strategies. It is theoretically important to look at these countries from a quantitative perspective. Second, we are particularly interested in the countries in the Asia-Pacific region, which has been a main arena in the fierce competition between China

and the US. Therefore, looking into these countries allows our analysis to contribute to not only theoretical discussions but also practical use for practitioners in this region.¹

State Power: Potential Challengers, Regional Middle Powers, and Weak Middle Powers

We use several data sets to measure state power and the strategies states have employed in their political and economic engagements with China and the US. First, although common indicators in evaluating their physical capacity or hard power include Gross Domestic Product (GDP), purchasing power parity, military expenditure, military force, and so on, these indicators might represent only part of a state's power.² To solve this issue, Singer, Bremer, and Stuckey (1972) have created a synthesis indicator, the Composite Index of National Capability (CINC), which offers a balanced measurement to evaluate state power from different aspects. CINC scores incorporate six dimensions — total population, urban population, production of iron and steel, consumption of energy, military expenditure, and military personnel. After calculating the proportion to the global total for each dimension, the CINC combines the six ratios into one indicator as the scores represent the country's state standardized power. In addition, the CINC covers a wide span of time and individual countries — a large sample size allows us to make a comparison between the states of our interest. The formula to calculate the CINC is as follows:

$$\text{RATIO} = \frac{\text{COUNTRY}}{\text{WORLD}},$$

$$\text{CINC} = \frac{\text{TPR} + \text{UPR} + \text{ISPR} + \text{ECR} + \text{MER} + \text{MPR}}{6},$$

where TPR is the total population of country ratio, UPR denotes the urban population of country ratio, ISPR is the iron and steel production of country ratio, ECR denotes

¹Our analysis relies on the presumption that the foreign policy of selected countries must respond to the competition between the US and China. Under this assumption, we may not be able to fully take into consideration certain variations among these countries' historical ties with the two great powers. We admit to such limitations. This paper attempts to quantitatively evaluate and compare the strategic choices of middle powers when facing the competition between the US and China in the region where these countries have a stake. As such, our discussion will not involve an in-depth analysis of each country's historical ties with great powers. We thank one of the reviewer's reminders with regard to the assumptions of our analysis.

²There have been many versions of state power. Even the CINC score can be divided into different types to calculate state power for various purposes. For instance, we might use urban population, energy consumption, and military spending but exclude other indicators such as population or total troops to account for power. However, a synthesis of multiple indicators will be more persuasive in accounting for a country's strength or state power. Therefore, we stick to the CINC score as our measurement of state power.

the primary energy consumption ratio, MER is the military expenditure ratio, and MPR denotes the military personnel ratio.

It is a difficult, if not impossible, task to clearly separate middle powers in type (Jordaan, 2003; Shin, 2015; Soeya, 2013; Ungerer, 2007). Theoretically, there are three approaches to defining middle powers — functional, behavioral and hierarchical, each of which has its limitations (Chapnick, 1999; Shin, 2012, 2015). The functional approach considers a country a middle power if it can exert influence and play a role in international affairs, while the behavioral approach identifies middle powers through their foreign policy behavior. The concept of middle powers was originally used to describe the wealthy countries that hoped to exert their influence on international affairs through multilateral cooperation mechanisms after WWII. The typical cases include Canada and Australia, both of which while traditionally wealthy were not pursuing a radical change to the global order, but rather preferred a reformist orientation in their foreign policy (Cooper, Higgott, & Nossal, 1993). Functional and behavioral approaches cannot escape tautological problems when using a state's behavior to classify its essence (Black, 1997). In addition, it is quite difficult for researchers to avoid arbitrariness in saying a state's foreign policy is directed by the mindset of a middle power.

The hierarchical approach sorts middle powers by employing a set of relatively objective indicators, such as size of territory, GDP, and population (Kim, 2009). Such an approach, however, has limitations in determining a threshold between middle powers and small ones. The hierarchical approach also hardly takes into consideration a state's regional influences, which are traditionally used to evaluate whether a country is acting as a middle power. Australia, for instance, has been deemed as a middle power since WWII by students in international relations and considered by scholars as a traditional middle power along with Canada, while the two are viewed differently from emerging middle powers such as Nigeria and Brazil (Jordaan, 2003). Yet, if we adopt a hierarchical approach and employ the CINC score to categorize middle powers, it is highly possible that Australia will be classified as a weak middle power based upon its relatively small population and other indicators.

Based on the above discussions, we synthesize the three approaches and Jordaan's categorization of middle powers. As Chapnick (1999) has mentioned, "to find middle, one must identify extreme first." We use CINC scores to classify three types of middle powers — potential challengers, regional middle powers and weak middle powers (see Figure 1).

Japan, India, and Russia comprise the first group, not just because they have the top three CINC scores but also because they have at times been viewed as regional

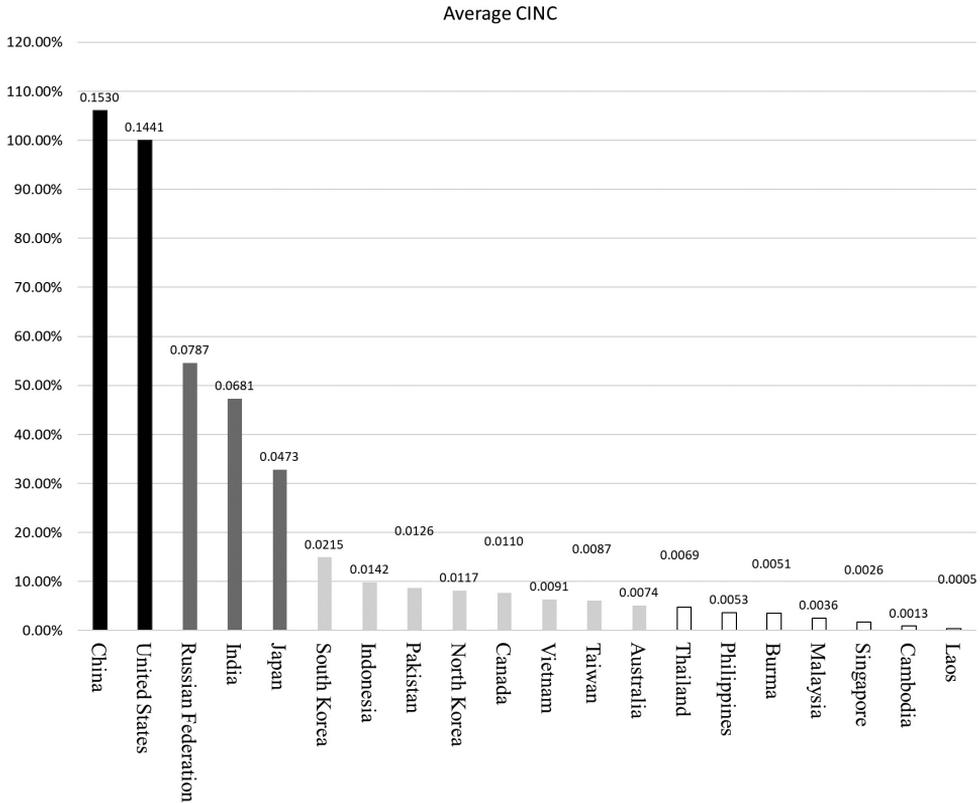


Figure 1. CINC scores for great and lesser powers.

hegemony and threats to a great power. Russia is no doubt a powerful challenger as it was a post-WWII great power until 1991. Japan in the 1980s had challenged the economic dominance of the US and was at the time viewed as a huge economic security threat to America, who responded by pushing the appreciation of Japanese yen and renegotiating the imbalance of bilateral trade between Japan and the US to maintain its advantages in the global economy. India in our data set, has a high CINC score because of its huge population. As a regional hegemon in South Asia, the country has also been involved in a long-term territory dispute with China. Considering its volume of state capacity as well as its role as a challenger to China in South Asia, we code India as a potential challenger.

We separate regional middle powers and weak middle powers depending on whether a country's influence is regionally significant. If a country's foreign policy behavior is considered to play a decisive role in regional affairs it is categorized as a regional middle power. This group includes traditional middle powers such as Canada and

Australia as well as many regionally powerful countries such as South Korea and Vietnam. Countries whose foreign policy behavior has been deemed as less regionally influential are put into the group of weak middle powers. This group includes Thailand, Cambodia, and Laos. The concept of weak middle powers is similar but slightly different to Jordaan's emerging middle powers. These countries are not weak enough that their regional presence should be ignored, while their regional existence and influence have not been significant or powerful enough for us to categorize them as regional middle powers. In other words, they can still be called middle powers, but their influence is relatively small. Interestingly, using such a categorization, we happen to divide our sample by two thresholds hierarchically. About 30% of the CINC scores of great powers (in this case, China) represents the first threshold that separates potential challengers and regional middle powers. Also 5% of the second great power's CINC score represents the second threshold that distinguishes between regional middle powers and weak middle powers.

Strategy Choice in Economy

How ought one to evaluate the strategic choices of lesser powers toward great powers in the global economy? As is well known, when China adopted the reform and opening-up policy in 1978, liberalized its closed, state-controlled economic system, and embraced the global economy, its miraculously fast growth over 40 years has created an ideal space to attract foreign investment and trade. It is hard to argue that lesser powers have avoided engagement with China on the rise in their bilateral economic relations. China is not only the factory of the world, it has also been growing its global economic influence by throwing large amounts of investment into developing countries. In 2001, China was permitted to join the World Trade Organization, incorporating its large population and huge economy into the world trade system. Since then, foreign trade and investment have become the most important engine in China's economic growth. This has also led the country to continue enhancing its economic power over the world.

To evaluate the choice of economic strategies for less powerful countries, we use the change in the extent of trade dependence on the US over China as an indicator. The idea is that, in general, when a country is more dependent on the US than on China for trade, it chooses to side with the US economically, and vice versa. Therefore, the difference in trade dependence can be a static measurement for whether a country inclines economically toward China or the US. If we calculate the yearly change in this difference, we can evaluate the dynamic of a country's choice to have more or less trade with the US compared to China. This allows us to investigate the strategy a country may employ in handling its economic relations with great powers.

Specifically, the concept of foreign trade dependence (FTD) is the ratio of the total amount of foreign trade of that country to its GDP. We use the ratio to measure the degree of dependence of a country's economy on the international market,

$$FTD = \frac{EX + IM}{GDP},$$

where EX refers to the amount of exports and IM the amount of imports. We then calculate trade dependence on the US and China for each lesser power using the following formula:

$$FTD_{ij} = \frac{EX_{ij} + IM_{ij}}{GDP_i}, \quad j = CN, US; \quad i = \forall \text{ lesser power.}$$

Then, we calculate the change in FTD on the US while subtracting FTD on China for each country to obtain an economic strategy score, which is standardized using the highest FTD score a country records of all the years we measure:

Economic strategy score

$$= \frac{FTD_{(US-CN)_{it}} - FTD_{(US-CN)_{i(t-1)}}}{FTD_{(\max)_i}}, \quad i = \text{lesser power}, \quad t = \text{year.}$$

Strategy Choice in Politics

To capture the political strategies of the lesser powers for the two great powers, we create a political strategy score using the voting behavior of these countries in the UN General Assembly. In general, several indicators may be of use to evaluate a country's political closeness to other countries. For instance, scholars have coded these alliance pacts using data such as the COW Formal Alliance data set (Gibler, 2009), which recorded four types: defense, neutrality, nonaggression, and consultation while in crisis. Researchers have also employed indicators of rivalry (Ide, 2018) or the number of political confrontations (Harbom, Melander, & Wallenstein, 2008; Pettersson & Eck, 2018) to observe political relations between two countries. However, these indicators only capture the breakup of conflict between countries and fail to deal with how a country strategically engages with others in international politics. Though some good proxies might provide an option to evaluate the political relations of two countries, such as the degree to which a country is liberal and democratized (Dixon, 1994; Doyle, 1983; Maoz & Russett, 1993; Marshall, Gurr, & Jagers, 2018), the score is relatively static and not dynamic.

As such, we use the consistency of the votes of lesser powers with the two great powers at the UN as an indicator of the degree of difference in a country's taking sides

between the US and China. Theoretically, if a country's vote in the General Assembly is more consistent with the US than China, it is reasonable to say that the country has sided with the US more than with China, a phenomenon that can be quantified to assess the strategy that the country adopts to engage with the two powers. Specifically, we use the UN General Assembly voting data and the ideal point score collected and calculated by Voeten and his colleagues (Bailey, Strezhnev, & Voeten, 2017; Voeten, 2012). The UN voting data contain the voting choices of all UN members — Yes, No, Abstain, or Absent. The consistency score is calculated from the percentage that shows whether a country's voting behavior is consistent with that of the US or China. After calculating the consistency score, we subtract a country's score with China from its score with the US as an indicator for the country's political affinity to the US over China.³ Since the score has been in the range of 1 to -1 (1 means total consistency with the US but zero consistency with China, and vice versa). The formula will be:

Political strategy score

$$= \text{UNvoteconsistency}_{it_{\text{US}}} - \text{UNvoteconsistency}_{it_{\text{CN}}}, \quad i = \text{lesser power}, \quad t = \text{year}.$$

Analysis

We are interested in whether the strategies of regional and weak middle powers have varied along with changes in state power. Using the two indicators of yearly changes in the extent of trade dependence and differences in voting consistency, we can observe trends in a country's choice between the US and China in international economy and politics. Table 1 shows these patterns, putting together the economic and political strategies of the 18 countries. One reasonable expectation is that if a country is pursuing hedging or balancing, the score, economic or political, will change stably and be kept on the line of zero. On the contrary, if a country follows bandwagoning, we might see more fluctuation in the scores over the years with the score eventually falling on a point closer to 1 or -1 .

For the evaluation of economic strategies (solid line) in the group of potential challengers, we can see that over the decades, Japan has increasingly sided with China over the US in terms of trade dependence. After 2011, however, it appears to have returned to America's side. In the data set, Japan's trade dependence on the US is stable below 10%, while its trade dependence on China has gradually grown from 0% to around 10%. India's economic situation is similar to Japan's, while Russia's case

³We also use Python-extracted data to check our calculations on the score of vote consistency; see Warntjen (2016).

Table 1.

Evaluating Lesser Powers' Strategies in Their Relations with the US and China

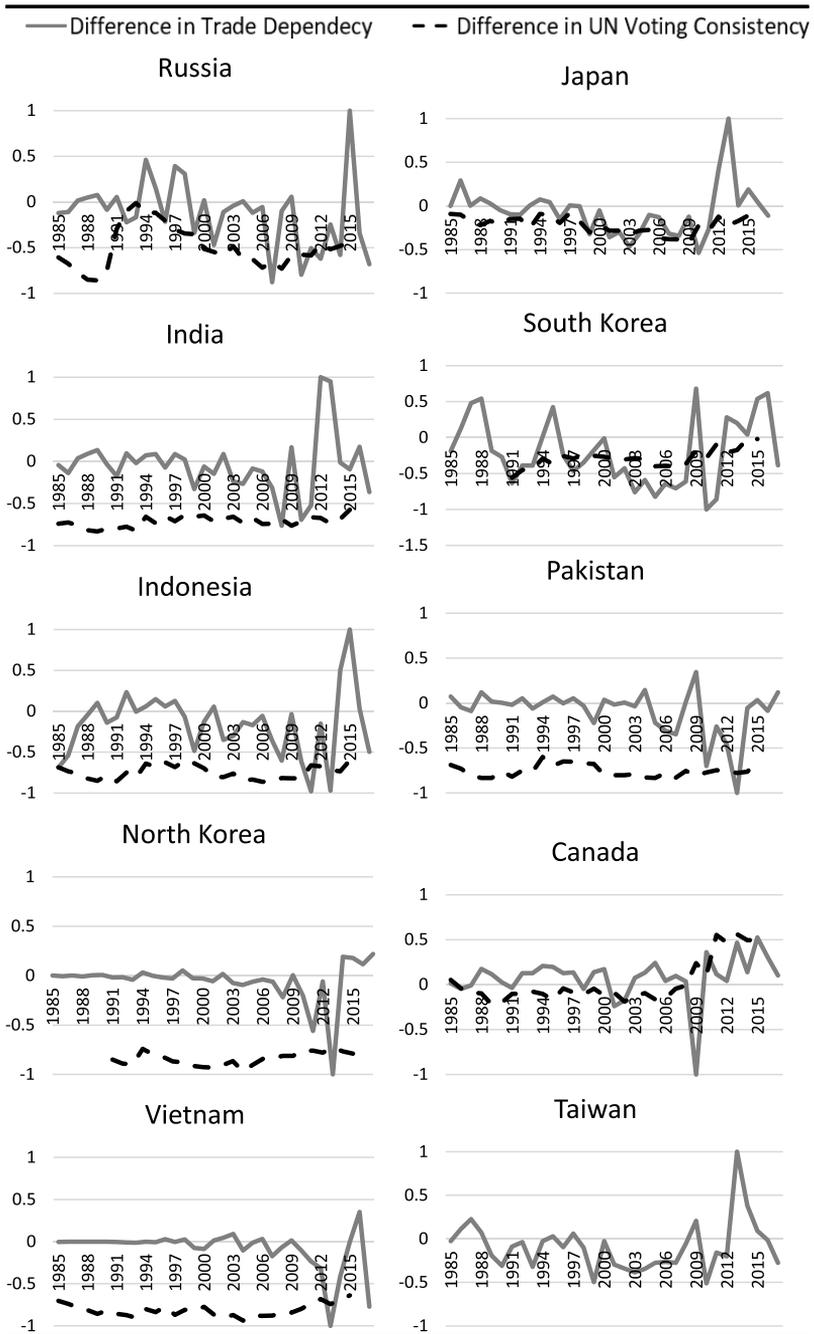
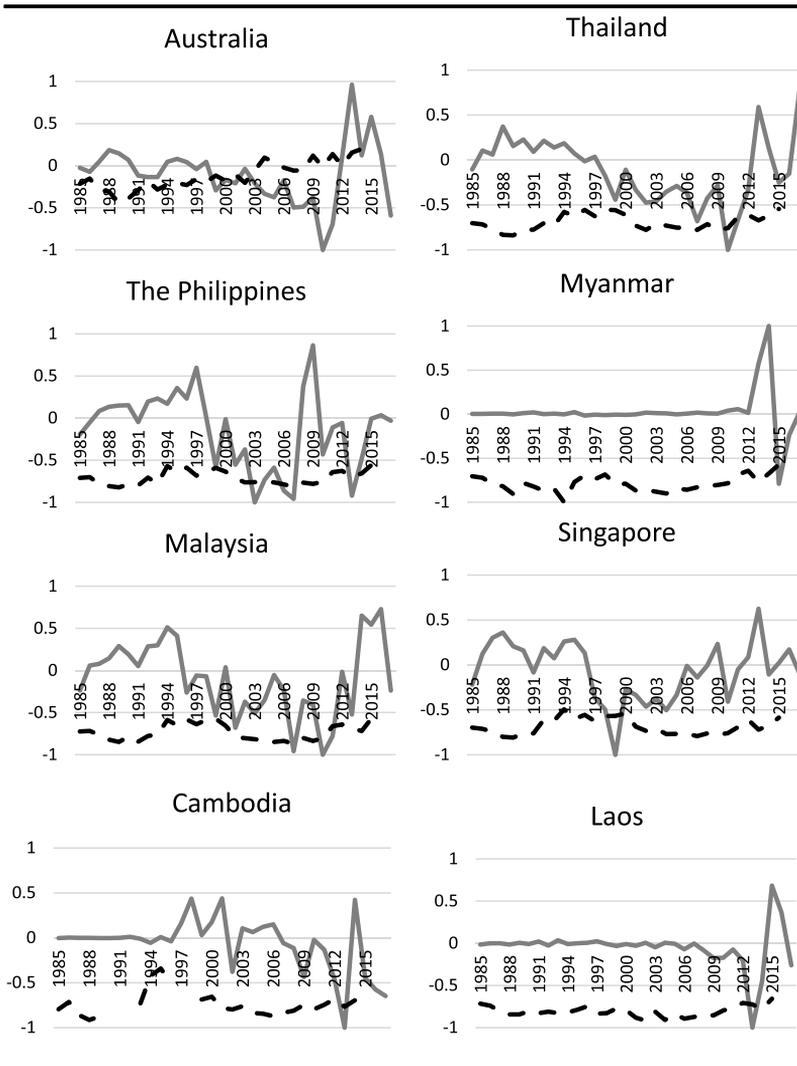


Table 1. (Continued)



Note: There is no information for Taiwan's political strategy score as Taiwan has not been a member of the UN since 1971.

shows a somewhat different pattern. While Russia moved toward the US in trade dependence before 2005, the fluctuation became more volatile after 2006 and ended up at the point of higher trade dependence on China than the US in 2017.

There is a certain variation among regional middle powers in their economic strategies. The change in the economic strategy score for South Korea, whose power is the strongest in the group, is similar to that of Japan. However, South Korea

experienced more fluctuation than Japan did, suggesting that it was trying to move back to equalize the influence of China and the US on its economy when facing the gravity of China's huge market. Looking closely at the data, South Korea has kept its trade dependence on the US at 10% while its dependence on China has rapidly grown from 0% to 25%. After 2008, however, the dynamics of trade dependence became highly unstable. Indonesia, Pakistan, and Vietnam have increased their economic ties with China, as shown in the table. On the other hand, Canada and Australia experienced a period of increased trade dependence on China but have tried to fix such biases by doing more trade with the US since 2008.

For Taiwan over the years, trade dependence on the US has gradually decreased from 20% to 10%, while dependence on China has rapidly increased from 0% to almost 40%, according to our analysis. If the indicator is used to measure the economic strategies employed to deal with US–China competition, one might argue that as a democracy, Taiwan is struggling to balance the economic influences of the two powers. For instance, under the governance of the Democratic Progressive Party that had taken a political position against China from 2000 to 2008, the negative score suggests that Taiwan had a higher rate of increase in trade dependence on China than on the US. When the pro-China Kuomintang Party came to power after 2008, trade dependence fluctuated more. This suggests that Taiwan has lived under the weight of the Chinese economy and finds it quite difficult to follow its own strategy amid the competition between China and the US.

From the table, we can see that the economic strategies of weak middle powers vary as well. It is however not surprising that Singapore has been able to maintain its own strategy amid the competition between the US and China, according to the data. After 1996, Singapore's trade dependence on China in comparison to the US increased sharply, suggesting that it had made a strategic choice to side with China given the rise of the Chinese economy. Singapore was unaffected by the Asian financial crisis of 1997, and its economic growth rate remained at 7.8%. However, the Singapore dollar fell against the US dollar with a depreciation of 13%, and the stock market suffered a 26% depreciation. Singapore's main trading partners have been the US, Japan, Europe, and China. When the Asian financial crisis worsened in 1998, Singapore's economy was greatly affected — as we can see, its trade dependence on the US significantly declined by 10%. Economic and trade relations with China gradually increased in 1999, as indicated in Table 1. Among all ASEAN countries, Singapore's investment and trade with China ranked first. However, the score began to increase after 2004, suggesting a trend of Singapore counterbalancing the influence of China with an increase in its trade with the US.

Weak middle powers with higher CINC scores than Singapore included Thailand, the Philippines, Myanmar, and Malaysia. While the strategies of these countries appear similar to Singapore's, they struggled more in choosing aside in light of the gravity of the Chinese economy. Cambodia and Laos, however, showed a more pronounced move toward closer economic ties with China.

The political strategies of lesser powers (the dashed line) measured by voting in the UN General Assembly appear quite stable, suggesting that a mind set of hedging might dominate their strategic thinking when it comes to choosing between China and the US politically. In general, the political strategy score's total average falls below zero, which means the voting behavior of most of the countries in our analysis at the UN appears more inclined toward a preference for China than for the US. However, we do find some significant bandwagoning by countries that have strong long-term security ties with the two great powers. For example, Canada and Australia have increasingly voted with the US after 2005, which is not surprising given their alliance with the country. Similarly, North Korea and Pakistan have clearly sided with China during UN voting. One interesting case is Russia. Russia voted more consistently with the US than with China after 1990, with the score reaching its apex in 1993. However, the score gradually declines afterward, suggesting a return to siding with China. As such, it indicates that Russia's strategy has evidently been to balance the huge increase in American political influence after the collapse of the USSR in 1991. As such, its political strategy has been roughly consistent with its economic one.

Figures 2–4 show the economic and political strategies of countries according to their CINC scores, which are presented by the size of the bubble.⁴ The larger the bubble, the stronger a state's power recorded. We separate the three groups to see the dynamics of each group's strategies. The potential challengers — Russia, Japan, and India — exhibit somewhat different choices in dealing with their respective relations with the US and China both politically and economically over the years. As shown in Figure 2, Japan has been more supportive of the US than China in its voting at the UN when compared to India and Russia, and it also has a significant change in its economic strategy. In 2010, Japan experienced the highest rate of increase in its trade dependence on China relative to its dependence on the US. In 2012, however, the trend reversed — dependence on China shrank while dependence on the US surged. After 2013, the country's relative trade dependence on China increased again. A similar

⁴Since the CINC score only covered 1984–2012, we use each country's CINC score in 2012 to code the score for the years after 2012 and draw the bubble for the years not covered.

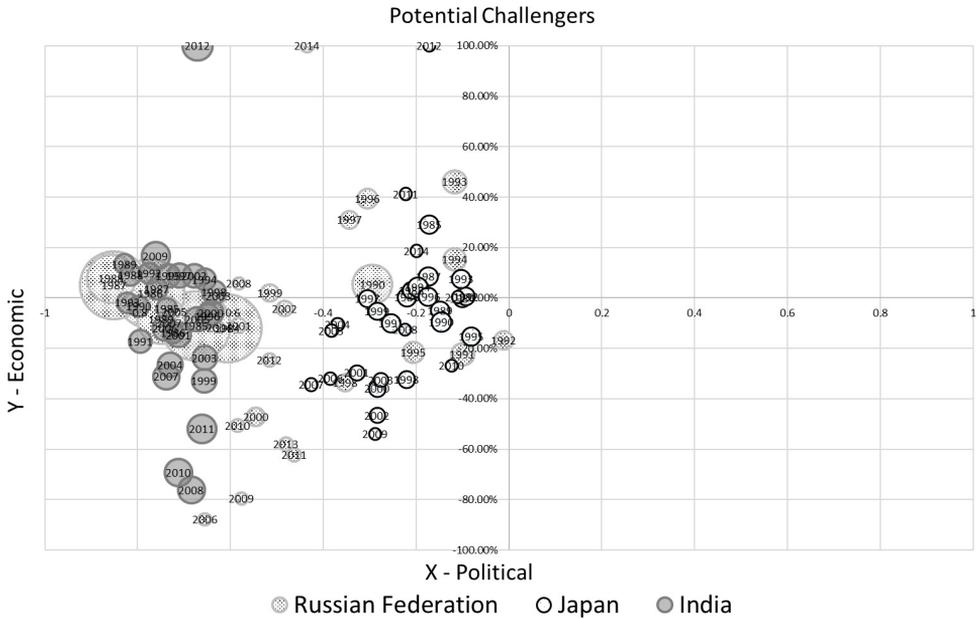


Figure 2. Potential challengers and their strategies toward the US and China.

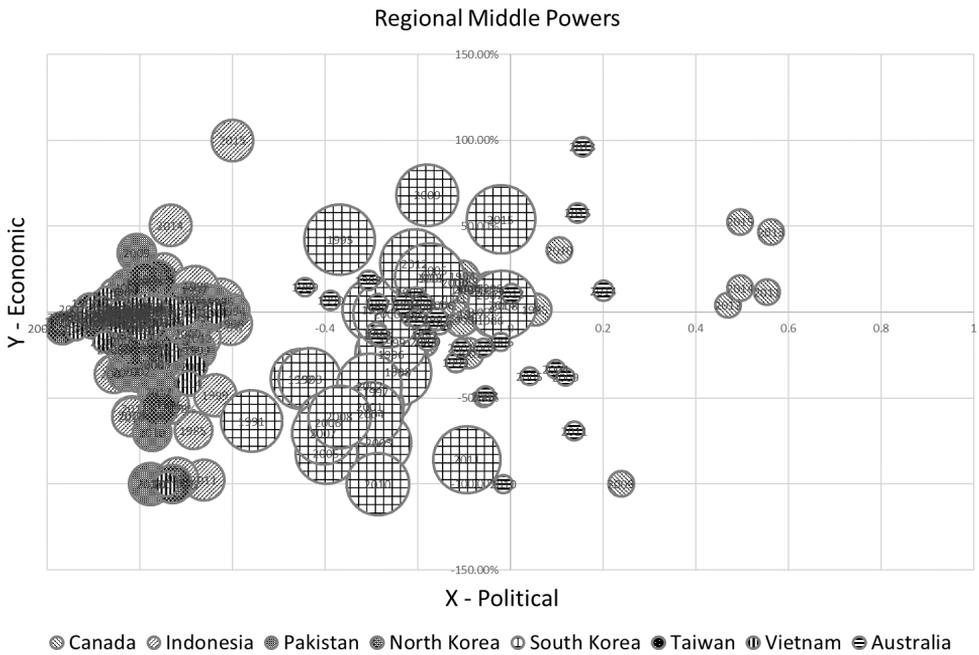


Figure 3. Regional middle powers and their strategies toward the US and China.

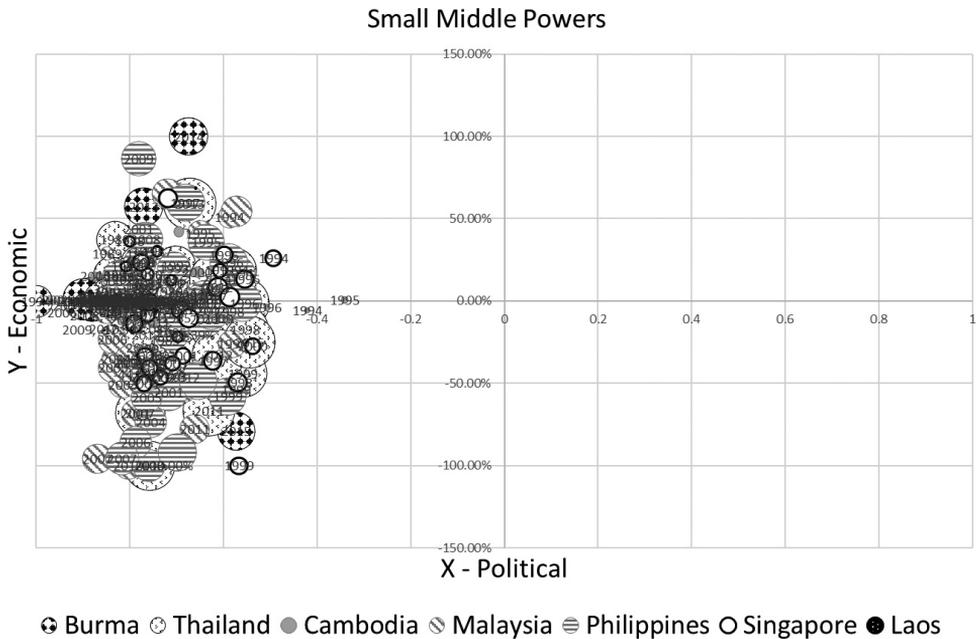


Figure 4. Weak middle powers and their strategies toward the US and China.

pattern is observable for India. While their political stances have remained relatively stable, Japan and India sought to balance the economic impact of China and the US.

Russia's case is typical of how a lesser power behaves when it experiences a sudden decline in state power. As Figure 2 shows, Russia made a dramatic move toward the US politically after 1990, but its trade dependence on the US and China remained roughly balanced until 1993. The large fluctuation in economic and political strategy scores after 1993 suggests that when Russia's power declined sharply, it was forced to choose a side for its survival. Unlike Japan and India, there was less room for Russia to employ a balancing strategy even though it remained powerful enough to be a potential challenger. The impact of the 1991 collapse was still ongoing in its choice of strategy amid the competition between the US and China.

Figure 3 shows the economic and political strategies of the regional middle powers, and as we expected, there are large variations in their choice of strategy. We can further identify three types of patterns — South Korea's economic and political strategies are similar to Japan's, as discussed above; countries other than Canada and Australia pursued political hedging; and the political strategy scores for most countries have remained stable over the three decades. Economically, however, they embraced China's rise with greater trade dependence than on the US.

In addition, a long-term alliance with the US has led Canada and Australia to employ a bandwagoning strategy for America when dealing with its competition with China. As shown in Figure 3, Canada and Australia not only attempted to rid themselves of their dependence on China economically, they also sided with the US politically at the UN. Canada's political strategy score for 2013 is 0.5625, which makes it the highest for all the countries we have covered.

Our theoretical expectation is that weak middle powers will be less likely to resist the influence of hegemony in the face of great power competition. Figure 4 offers certain empirical support for such a proposition. First, weak middle powers have limited space to move when it comes to their political strategy. Most countries in our sample are politically closer to China than the US. For instance, the average political strategy score is -0.57 , while the scores for potential challengers and regional middle powers are -0.48 and -0.58 , respectively, suggesting that the voting of weak middle powers in the UN General Assembly has been more consistent with China's than that of other more powerful countries. Moreover, weak middle powers appear to also have been pursuing bandwagoning based on their economic strategy scores — with the rise of China, these countries began increasing their economic ties. Cambodia, Laos, Thailand, and Malaysia all have the highest increase in their rates of relative trade dependence on China after 2011. Because they were not powerful enough to resist China politically and economically, a bandwagoning strategy was the most popular among the weak middle powers.

Conclusion

In this paper, we propose that a country's synthetic power will restrain its freedom in choosing strategies to engage with great powers in an era of competition between the US and China. To validate our arguments, we use a synthesis measurement of state power — CINC — to divide the lesser powers into three groups: potential challengers, regional middle powers, and weak middle powers. We then look at whether their choice of strategy for the US and China varies across the three groups or along the line of state power. Our analysis shows that the strategic choices of potential challengers are relatively stable and that relatively powerful countries engage with the US and China carefully. The same pattern can be found among the least powerful countries in the weak middle powers group. However, the two groups have substantial differences in their strategies. Potential challengers are balancing the influence of China and the US to gain maximum benefits. As such, economies that used to depend on the US have moved closer to China economically

but not politically. However, the countries that have been dependent on China both economically and politically tend to balance the influence by moving closer to the US. Russia is a case in point. Despite variations in their political and economic affinities with China and the US, weak middle powers do not have too many alternatives other than to move closer to China economically, given the rise of China's investments and its market. However, their political stances are relatively unchanged, leaving some questions unanswered. It might be that the US–China competition in global politics has not showed a clear sign as to who is leading, and it is therefore difficult for weak middle powers to adopt bandwagoning strategies. It may also be that there is insufficient political information for them to choose one side over another. As such, their political strategies toward the US and China are quite like hedging.

Finally, as our theory expected, regional middle powers exhibit variations in state strategies toward the US and China. We also find that Canada and Australia are two countries that have increased their strong support for the US. Although they have relatively low CINC scores, they seem to have more autonomy to choose sides, as they have sided less with the US in the past than in the present. However, it may also indicate that their strong alliance with the US has tended to become stronger in the face of the assertiveness of a rising China.

This paper contributes to the current literature by using a quantitative approach to examine the strategy choices of lesser powers in an era of fierce competition between the US and China. While scholars have insightfully categorized the strategies of states based on their relations with great powers, most researches with in-depth case studies have provided only a partial picture in regional politics. Our analysis attempts to connect international power structures and individual strategy choices in world politics. This paper proves some common arguments that a state's capacity may influence its strategy choices toward great powers, but it also shows certain anomalies in state behavior in their choices.

Many research questions remain unanswered and deserve further exploration in the future. This paper sheds light on the evaluation of the strategies of lesser powers toward great powers. However, the causal relationship between state power and strategy choice with hegemony remains unjustified. In the future, with more information and high-quality data collection, a more sophisticated analysis can be expected. Following the discussion of other scholars, it is also promising to analyze the influence of power asymmetry on how lesser powers perceive great power competition (Womack, 2016) or how the interaction of the two great powers over time may change foreign policy behavior of middle powers (Kang, 2007). This paper provides a framework for future analysts to investigate the dynamics of the behavior of lesser

powers as they deal with the rise of China and the containment policy the US is gradually adopting to maintain its status of global hegemony.

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