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# PACIFIC CURRENTS

THE RESPONSES OF U.S. ALLIES AND SECURITY  
PARTNERS IN EAST ASIA TO CHINA'S RISE

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## Summary

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China's growing involvement and influence in East Asian economic and security affairs are not fundamentally eroding the foundation of U.S. alliances and security partnerships in the region. None of the six nations covered in this book—Australia, Japan, the Philippines, Singapore, South Korea, and Thailand—see China as a viable strategic alternative to the United States. The United States remains the security partner of choice in the region. But consistent U.S. efforts are needed to ensure this situation continues in perpetuity.

China, however, is changing some U.S. alliances and security partnerships in Asia. In many cases, China makes U.S. security commitments even more relevant: Nations can confidently engage China precisely because U.S. security commitments endure. However, America's Asian allies and partners are increasingly seeking to maximize their maneuvering room by positioning themselves to benefit from ties with both China and the United States. On balance, America's Asian allies and security partners want continued U.S. involvement in the region, but sometimes only in certain ways, at certain times, and on particular issues.

What is *not* occurring in Asia in response to China's rise is as important as what is occurring. Contrary to media reporting, East Asia is not gradually falling under China's hegemony, at least not the six nations addressed here. China is not gradually and surreptitiously pushing the United States out of the region or otherwise making it irrelevant. Regional states are not climbing on a Chinese bandwagon in expectation of its eventual hegemony. The United States and China are jockeying for power and influence, but not in a zero-sum manner.

The six East Asian nations are also not modernizing their militaries in an effort to balance Chinese power. Regional governments are watching Chinese military modernization with varying degrees of attention and concern. But China's military modernization has not sparked a regional rush to expand military budgets or force structures (i.e., internal balancing). Rather, regional responses have been to tighten existing alliance links and diversify security ties with other regional states (i.e., external balancing).

As China's role in Asian affairs has expanded, the desire of our six nations to have the United States remain engaged in the region has not diminished and, in some important cases, has grown. Most East Asian nations welcome positive and mutually

beneficial interactions with both the United States and China on a range of traditional and nontraditional security issues. China is undoubtedly gaining influence among all six East Asian nations but in a limited way and of a certain type. China looms larger in the policy decisions of them all. These nations have become more sensitive to Chinese preferences and interests, often on sovereignty-related questions that already resonate. Also, many countries are more frequently self-censoring their China policy. However, the influence China is gaining is most effective at precluding the development of an “anti-China” containment effort. It is a passive variety of influence that involves nations not taking certain actions deemed to be provocative to China. We assess that China has not gained “offensive” influence, with which it could attenuate alliance relationships or otherwise marginalize U.S. influence. When China has tried to assert itself in such ways, its efforts have often been counterproductive, alienating its Asian interlocutors instead.

All six nations uniformly view China as a source of economic opportunity and are rapidly expanding their economic links with China. There is a pervasive and compelling economic logic to these bilateral relationships. However, for some, trade with China is not an unqualified good; it has damaged certain sectors of their economies, producing both economic winners and losers. Nevertheless, there is little sign that these nations will come to see trade with China as a net loss any time in the foreseeable future. In fact, most regional leaders see China as key to their nation's future prosperity, a perception that is often out of step with the realities of their bilateral economic interactions with China.

Several East Asian nations are now moving out of the honeymoon phase with China. They recognize the costs and complexities involved in managing multidimensional relationships with China. While, on balance, many view stable relations with China as central to their economic livelihood, China is not uniformly seen as reliable or predictable.

None of America's East Asian allies want to have to choose between the United States and China, not even the United States' closest Asian security partners in the region. They all see such a choice as a worst-case scenario, to be avoided at all costs. In fact, most reject the idea that such a choice exists, often arguing that they do not view interactions between the United States and China in Asia in zero-sum terms. Thus, the Taiwan issue, and the possibility of a U.S.–Chinese conflict over it, is an issue of unique sensitivity because it could force such an unwanted choice.

The six East Asian nations are uniformly expanding their bilateral interactions with China. To varying degrees, they are accommodating some Chinese interests, such as those relating to Taiwan and human rights, in both bilateral interactions and multilateral forums. None are in favor of appeasing China, and most are cognizant of the dangers of appearing to do so. While these nations are more sensitive to China's preferences and increasingly calculate China's reactions in their policymaking, they have not demonstrated a willingness to capitulate to China's demands on issues deemed of

core national interest, which specifically includes their security ties with the United States. In fact, there is little evidence that the growing economic links between China and U.S. allies have translated into direct political influence that China could effectively leverage to shape their policy choices. China would face difficulties translating economic ties into direct influence over other nations' foreign policy or military affairs. There is some self-censorship and self-restraint in areas of key interest to China, commonly on Taiwan or human-rights-related questions. Yet, these countries remain highly sensitive and resistant to Chinese actions that appear to be open attempts at manipulation from Beijing.

U.S. allies in Asia expressed differing levels of concern about the uncertainty of China's future and its potential influence on regional stability and prosperity. The six nations in this book fear both a strong and a weak China because both possibilities could threaten regional security and development.

All the countries we assessed support a robust role for the United States in regional security affairs. To varying degrees, they have strengthened their security relationships with the United States at the same time as they have engaged China—although often for reasons having little to do with China. While they need to expand economic interactions with China to foster economic development, these nations want to ensure that the United States remains a principal security guarantor in the region as insurance against a destabilizing China. None of the six East Asian nations favor or expect China to supplant the United States as the predominant power in Asia. At the same time, none of them support an explicit or implicit U.S.-led effort to contain China's rise. None of these nations consider such a strategy desirable or feasible because it would precipitate unnecessary strategic rivalry.

The nations we surveyed all believe that U.S. policy toward China, and Asia as a whole, will have a strong and determining influence on whether China's rise is stabilizing or destabilizing. In short, U.S. policy remains a key variable in how these nations react to China's growing regional influence. As long as the United States remains a major economic actor and security guarantor to the region, the regional responses to the rise of China will be taken with confidence and moderation.

On balance, the responses of U.S. allies and security partners to China reflect relative optimism about China's current and potential contributions to Asian and global economic affairs. This reaction is, in part, an indication of these nations' desire for Washington to remain a key economic actor and security guarantor in East Asia; it also reflects a general satisfaction with the role the United States plays, albeit with differing levels of dissatisfaction about U.S. international and regional diplomacy. These views are coupled with complaints that Washington is not engaged sufficiently on issues of primary interest to East Asian nations and that U.S. Asia policy is insensitive to the diplomacy nations in the region extend toward China.

## Japan

The rise of China has clearly stirred Japan's competitive impulses, but its posture toward China remains characterized by considerable ambivalence marked by growing anxiety. Many Japanese leaders are more willing than in the past to cite China explicitly as a potential military threat, and the two countries have engaged in heated disputes over territorial boundaries, historical issues, and regional leadership. These three sets of issues will, in large measure, drive regional competition between China and Japan in the coming years. Japan has edged closer to the United States and strengthened ties with other regional partners, from India to Australia to Taiwan, moves that are increasingly justified with reference to China. Tokyo has also demonstrated a new willingness to use its military forces, for example, to patrol ocean areas disputed with Beijing.

At the same time, Japan's businessmen and economic planners remain convinced that the nation's economic well-being remains tied to continued trade and investment with China. A broad alliance of business, political, and media actors appealed for and supported the post-Koizumi outreach to China, and Beijing has reciprocated by taking a more-conciliatory posture. Many strategists and politicians also foresee damage to Japan's position in Asia should a cold war develop between Tokyo and Beijing.

The long-term prognosis is highly uncertain for Sino-Japanese relations, and there are certainly grounds for concern. For the first time, both China and Japan are unified internally, powerful in economic and military terms, and capable of influencing events beyond their borders. At the same time, the United States is pushing for Japan to assume a larger regional and global role. Domestically, the demise of the Socialist Party during the mid-1990s nudged the political center of domestic politics to the right. Japan's emergence from 15 years of sluggish economic growth has helped usher in the rise of nationalist sentiments. At the same time, a new breed of popular politicians has challenged the long-dominant bureaucracy for control of national policy, including foreign policy.

## South Korea (Republic of Korea)

The simplest—but not the most complete—answer to the question of what is driving South Korea's response to China is a generally benign view of China and the perceived economic benefits of stable relations between South Korea and China. Given these conditions, there is considerable sensitivity toward China in South Korea today and reluctance either to challenge major Chinese interests or to needlessly stimulate Chinese sensitivities. At the same time, growing concerns and anxieties about Chinese economic policymaking and diplomacy show that the honeymoon in Chinese–South Korean relations is decidedly over. The forces holding the relationship back, if not driving it in the opposite direction, include uncertainties about China's prospects and

long-term intentions (especially regarding China's growing influence in North Korea), awareness of potential South Korean vulnerability to Chinese economic or other pressures, continuing irritants in the bilateral relationship, a widely shared awareness of the importance of the United States, and a continuing gap between South Korean aspirations and capabilities.

These cross pressures suggest that, first, South Korea will continue to try to expand ties with China, with the economic side of the relationship remaining dominant. South Korea is likely to emphasize solving actual problems between the two countries, such as the need for a maritime security agreement, and to try to use the relationship to discuss confidence and security-building measures and other steps that could improve prospects for peace on the peninsula. By geography alone, sensitivity toward Chinese interests will remain a characteristic of South Korean policies.

Second, the irritants in and constraints on the relationship will also continue, and an occasional spike in tensions is to be expected. As China continues to ensconce itself in North Korea, issues pertaining to the North could come to have as many negatives as positives for South Korean–Chinese relations. Even short of this, a new strategic alignment between South Korea and China is not likely in the absence of some major external event. South Korea will likely seek to maintain good relations with China on the basis of—rather than instead of—a continued close alliance with the United States. Another North Korean nuclear test, and/or clear Chinese unwillingness or inability to bring the North to resolve the nuclear issue peacefully, would reinforce this inclination.

This mixed picture suggests that, barring unexpected developments, South Korea will stick with the United States, even at critical decision points that test the U.S.–South Korean alliance, as was the case in Iraq. But China's rise will continue to challenge U.S. efforts to *expand* U.S.–South Korean security cooperation. South Korean agreement to participate in U.S. military operations out of its homeland will be particularly difficult to obtain, although this will depend heavily on the context in Korean domestic politics, bilateral relations, and international relations. The key to the future of the relationship will be reconfiguring the alliance correctly.

## The Philippines

The main factor affecting the Philippines' response to China is the country's fundamental and myriad weaknesses. Chronic political instability, debilitating domestic insurgencies, and deteriorating military capabilities have left the Philippines unable to ensure peace and order even within the main islands, let alone defend its offshore territorial and natural resource claims vis-à-vis China. This weakness has spurred Filipino efforts to reestablish close defense ties with the United States, mainly to cope with its severe internal security challenges. Philippine leaders have increasingly come to view

China not as a major security threat but as a relatively benign power. This is reflected in current Philippine military modernization plans, which do not appear to be informed by considerations relating to China—or, really, any external threats.

The Philippine economy is less dependent on trade with China (and international trade, more generally) than are the economies of its Asian neighbors. Like other Asian economies, however, China has become an increasingly important target for Philippine exports, with the burgeoning trade relationship becoming an important force for the Philippines' own economic growth. The broad consensus in the Philippines over China's importance as an economic partner bolsters support for efforts to strengthen bilateral ties. Yet, the view that China is an important future economic partner is mixed with an incipient sense that China is also a potential competitive economic threat.

While these are the major forces driving the Philippines' response to China, it is important to stress that the forces are not "driving" Filipino policy anywhere in particular. The leadership is heavily focused on internal challenges. And the public is relatively inattentive to China and, for that matter, most other foreign-policy issues. Chinese-Philippine tensions have certainly decreased in recent years, and the relationship has assumed a more-affable and -productive tenor.

## Thailand

Thailand has a long tradition of "bending with the wind." In today's East Asia, that means accommodating—and seeking advantage from—both China and the United States. Thaksin Shinawatra, the former Prime Minister, modified Thailand's recent approach by trying to "blow the wind," as well as bend with it. He strengthened political and military, as well as economic, ties with China at the same time he was taking bold new steps to buttress Bangkok's alliance with the United States. His successor, however, is likely to return to a more-muted style of foreign policy. A post-Thaksin government may de-emphasize bold initiatives, particularly on the strategic or military front, and refocus Bangkok's diplomatic efforts on the Association of Southeast Asian Nations. But assuming China continues to grow economically without exhibiting manifestly aggressive behaviors in Southeast Asia, Bangkok is likely to continue deepening its economic; political; and, to a lesser extent, military relationships with Beijing.

While the direction of movement in Thai foreign policy has not been all in one direction, several long-term trends suggest that relations with China have become more important to Thais. China's importance as a trade and investment partner has grown substantially. With the Thai military budget growing after a decade of stagnation, it has acquired some military hardware from China but has made major purchases from Western suppliers. Despite Thailand's past efforts to engage Burma (which removed a

source of tension with Beijing), Burma's recent instability has once again made it an issue between Beijing and Bangkok.

There are also limits to the magnitude of the growing Thai-Chinese relationship. Thai leaders are committed to a balanced posture between China and the United States because Thai policymakers recognize the long-standing material and symbolic benefits of the alliance with the United States. Bangkok is also working to develop options with other countries. Economically, it has moved to strengthen ties with India, Australia, New Zealand, and Japan. Politically and militarily, it cooperates with India, Singapore, Malaysia, and Indonesia, as well as with the United States and China. China's regional behavior will be the largest variable in the evolution of Thai attitudes toward the rise of China. Events in Burma, the success or failure of ongoing negotiations with the United States and Japan for free trade agreements, and the future of political reform in Thailand are also important variables, albeit less widely appreciated ones.

## Singapore

Singapore shows less ambivalence in its response to the rise of China than do most other Southeast Asian countries addressed in this book. The country's small size, geostrategic vulnerability, and continuing concerns about long-term Chinese intentions propel it toward a close, *strategic* relationship with the United States—despite its close ethnic links to China. Singaporean leaders see the United States as both the principal stabilizer in the event of internal Chinese unrest and the only realistic counterweight to potential Chinese external assertiveness. Keeping the United States actively engaged and forward deployed in the region has thus been a central Singaporean foreign policy objective. China's rise and the spread of Islamic extremism and heightened concerns about stability in neighboring countries have prompted Singapore to further strengthen security cooperation with the United States. At the same time, Singapore has sought to expand security ties with the United Kingdom, Japan, Australia, and other nations with stakes in regional stability.

This core component of Singapore's response to the rise of China is coupled with efforts to further develop Singaporean-Chinese economic relations, as with other nations in this book. The benefits Singapore receives from increasing trade and investment with China, as well as from China's broader economic integration in the region, underpin efforts to expand bilateral economic ties. These efforts are balanced, however, by an attempt to diversify Singapore's economic relationships to avoid excessive dependence on the Chinese market. They are also balanced by efforts to negotiate a range of free trade agreements, in particular with Japan and the United States, as a means of countering China's active economic diplomacy and entrenching these key countries economically in Southeast Asia.

Because of the relative lack of ambivalence about China and the clarity of Singapore's long-term vision, the future of Singapore's relationship with China has a greater level of certainty than any other Southeast Asian nation. As China becomes more powerful, Singaporean leaders will do everything they can to ensure a continued balance of power in the region, one in which China does not dominate. This effort will almost surely guarantee continued close diplomatic and security relations with the United States. However, in the absence of unprovoked Chinese aggression, Singapore will neither encourage nor support a "containment" or explicitly "anti-China" balancing coalition.

## **Australia**

There are distinct cross pressures in Australian-Chinese relations. First, rapidly growing trade relations and the perception among Australian policymakers that China is key to Australia's future prosperity have been the drivers of bilateral relations. Second, few in Australia see rivalry or conflict with China as likely or inevitable. Australia wants to avoid being drawn into a regional rivalry with China, perhaps led by misguided U.S. policymaking. Third, Australian policymakers share a deep uncertainty mixed with a nagging concern about China's growing power and influence in Asian economic and security affairs. China's diplomatic activism in Asia and its military modernization are areas of growing focus among Australian strategists.

Canberra has improved and will continue to improve its bilateral relations with Beijing, with economic ties clearly leading the charge. As China looms larger in Australia's foreign policy, Canberra will continue to be sensitive to and will accommodate some of Beijing's interests, such as its policies on Taiwan and human rights. Australia's concerns about China's growing influence and behavior will persist as well, limiting to a degree the expansion of Chinese-Australian relations and enabling to a degree greater alliance cooperation related to Asia.

Under the Howard administration, Australia's concerns about China motivated a series of foreign and defense policies that expanded alliance cooperation and sought to ensure that the United States would remain highly influential in the Asia-Pacific. The new Labour Party government, led by Kevin Rudd, appears committed to continue a similar, but not identical, approach to China and Asia. Rudd has chosen to distinguish his foreign policy from that of his predecessor on global issues, such as Iraq policy, nuclear nonproliferation, and climate change, rather than on China policy. Kevin Rudd has made clear that, while China may be an increasingly important "partner" for Australia, the United States is a "strategic ally." He has noted that a strong alliance bolsters Australia's position in Asia and that the alliance contributes to broader regional stability.

To be sure, there are different schools of thought in the current Australia government about how to engage China effectively, which Chinese interests to accommodate, how closely to coordinate with the United States, and the implications of Australia's China policy for alliance relations. How these various debates will play out under the new domestic political context of a young Labour government remains an open question.

## Implications for the United States

The United States remains well positioned to continue to achieve its core objectives in the Asia-Pacific region. In contrast to many analyses, this book concludes that the United States does not face a crisis in Asia, in which an ascendant China is gradually replacing U.S. influence. The six East Asian nations assessed in this book are simply not jumping on a Chinese bandwagon, and none desire such an outcome. Most of these nations are hedging their security bets regarding China's reemergence in East Asia. U.S. policy should reflect this reality. In fact, the rise of China has made the United States more relevant in many ways.

Moreover, the quasi-regional consensus favoring engaging and cooperating with China is largely driven by an economic logic: that doing so is both to benefit from China's growing economy and to keep China growing and stable. But this consensus has a tentative quality to it. Several East Asian nations have their own concerns about how China might use its growing power, such as reasserting its historical and domineering patterns of bilateral relations. Others fear an economically stagnating and socially volatile China that exports instability abroad. Thus, there is still abundant geopolitical space for the United States to grow its Asian security relationships in support of a regional security order marked by cooperation among several major powers but in which no single power dominates.

Moreover, it is early days in East Asia's responses to China's growing weight in regional affairs. The region is still coming to terms with China's expanding involvement in Asian political, social, economic, and security affairs. Our analysis indicates that China would face difficulties translating its growing economic links with East Asian nations into political influence over them. Therefore, given the historic centrality of the United States to Asian security affairs (at least in the last 50 years) and the U.S. role as a provider of critical public goods to the region, the United States has both the time and space necessary for responding effectively to the challenges regional reactions to China's rise pose.

It is not in U.S. interests to take a highly competitive approach to China's security alliances and partnerships in the region. U.S. policy needs to be sensitive to the changing constellations of equities of its East Asian allies and partners—none of which want to provoke China into becoming a strategic adversary. Also, none want the United

States to depart the region either; fear of abandonment is as strong or stronger a motivation as concern about becoming entrapped in a U.S. regional policy that confronts China.

The United States should pursue a finely calibrated policy that is tailored to meet the individual needs and national interests of its allies and security partners. Washington should pursue a differentiated strategy with the following general characteristics: greater involvement in and contribution to regional economic and security institutions, both rhetorically and substantially; appreciation of each nation's economic and national-security priorities and capabilities and security cooperation that accords with these interests; sensitivity to local views of the United States and China, at both the popular and elite levels; efforts to broaden security cooperation to increase the quality of U.S. defense assistance; and more burden sharing in defense and diplomatic cooperation. This represents a distinct challenge for the United States, especially in its dealings with its smaller allies, such as Thailand and the Philippines, which confront dynamic—and often quite volatile—political and economic environments. The United States has much to bring to these relationships, including trade and investment opportunities, extensive security cooperation, policy coordination in multilateral forums, and politically salient high-level bilateral interactions. It is incumbent on the United States to calibrate the right mix of policy tools to ensure that the “balance of influence” stays in America's favor as China becomes more relevant to U.S. allies and security partners in East Asia.