VII. ASIA-PACIFIC: THE REGIONAL ORDER

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In the years leading up to 2025, China’s foreign policy in the Asia-Pacific, including its approaches towards the United States, its Asian neighbours, as well as the regional order, will continue to be conditioned by domestic developments. As discussed elsewhere in this volume, the survival of the Chinese Communist Party (CCP) and the one-party regime will remain of paramount importance to Chinese leaders. This is the starting point for looking at the PRC’s positioning in the Asia-Pacific over the next decade.

China’s core strategic objectives – maintaining domestic and political stability, defending sovereignty and territorial integrity, pursuing national unification and its great power status – have underpinned China’s behaviour in the region, and will continue to do so. Beijing has already demonstrated an increased readiness to stand up to challengers, especially Washington and its Asian allies, and defend the PRC’s interests more forcefully, while seeking to avoid the high costs of military confrontation. The PRC has been steadily moving away from its previous reactive and risk-averse behaviour towards a more proactive regional posture. It has shown a willingness to test, if not to directly challenge, US security commitments in Asia, and has started applying its economic leverage against its Asian neighbours. For example, Beijing has stepped up its objections to US intelligence-gathering activities in its Exclusive Economic Zone (EEZ) or to US military exercises conducted jointly with its Asian allies. China has also pursued policies of economic coercion towards its neighbours. In 2010, it banned exports of rare earth materials to Japan in response to Japan’s arrest of the captain of a Chinese fishing boat, which collided with two vessels of the Japanese Coast Guard in the East China Sea (ESC). In 2012, Beijing imposed import restrictions on bananas from the Philippines in the wake of a standoff with Manila over the Scarborough Shoal in the South China Sea (SCS). More recently, China has resorted to economic retaliation against South Korea following Seoul’s decision to deploy the US anti-missile system, Terminal High Altitude Area Defense (THAAD), set in motion in 2017.

This behaviour seems to form part of a long-term PRC strategy to gain regional supremacy. At least for the next decade, however, it seems unlikely that China will establish itself as Asia’s next hegemonic power.

Conditions for Chinese hegemony

The necessary conditions for China to establish regional hegemony will be its willingness and ability to replace the United States as a provider of global public goods in both the economic and security spheres. Chinese hegemony would also have to be seen as beneficial for the interests of other major players, especially Japan and India, as well as ASEAN, in order for them to accept Beijing assuming this dominant role. The United States would have to retreat, accepting the PRC’s supremacy. A consensual China-led hegemonic order would require the PRC to translate its growing power into leadership and to develop an ideological appeal to Asian states through shared norms, values and principles.

A coercive Chinese hegemony, on the other hand, may grow out of Asian states’ fear of retribution, conceivably following a US withdrawal from the region and regional states’ inability to jointly balance against China’s power. It is unlikely, however, that China will embark on military expansion to establish hegemony in Asia, not least due to the massive domestic, regional and international costs that this would entail.

Major constraints on Chinese hegemony

China faces both domestic and external constraints to its assuming a greater leadership role in the Asia-Pacific, many of which are unlikely to recede before 2025.

Domestically, the CCP will continue to be preoccupied with various socio-economic challenges and focused on maintaining political stability, leaving it wary of external overcommitments. As the decades-long regional involvement of the United States demonstrates, responsibilities require the investment of significant resources and the readiness to bear costs, both material and human. The PRC has neither the willingness nor the capacity to do so. To be sure, the PRC under Xi Jinping has been pursuing a more ambitious geopolitical and geoeconomic strategy, centred on economic diplomacy. The main examples of this are the Belt and Road Initiative, the Silk Road Fund, the Asia Infrastructure and Investment Bank (AIIB), as well as its support for the Regional Comprehensive Economic Partnership (RCEP) – a multilateral free trade agreement for the Asia-Pacific region. Nonetheless, these engagements have been highly selective. Overall, China has made very little effort to actually exercise regional leadership in terms of readiness to bear the costs and commitments to provide global public goods. At the same time, Beijing’s ability and willingness to lead could be seriously tested in the event of a major crisis, for example, on the Korean Peninsula, and/or a situation of US pullback from the region. On the one hand, such scenarios might present an opportunity for China to assume leadership and thereby pursue its great power aspirations. On the other hand, its failure to step in and act as a ‘responsible power’ could have a lasting effect on Asian countries’ willingness to accept a later move by Beijing to assume leadership in the Asia-Pacific. For the time being, many of the limits that the PRC’s international
reach faces remain self-imposed, driven by a pragmatic cost-benefit assessment of China’s own national interests.

At the regional level in the Asia-Pacific, two major constraints are likely to remain for China in the years leading up to 2025. First, Beijing’s regional behaviour since the early 2010s has reinforced the ‘China threat’ perception across the region. The PRC has steadily enhanced its power-projection capabilities beyond coastal defence, which has been accompanied by a less restrained pursuit of its territorial claims in the ECS and SCS. China’s ‘divide and rule’ approach towards ASEAN, as well as its economically coercive behaviour towards its neighbours, has alienated many Asian states. While China has become a major economic and trade partner for many Asian countries, it has also come to be perceived as a security adversary, even a threat, in states such as Japan and India. The PRC’s foreign policy objectives are viewed with varying degrees of apprehension in the Philippines, Vietnam, Indonesia, Malaysia and South Korea. Given that regional disputes, such as those in the ESC and SCS, and the Taiwan Strait, involve ‘non-negotiable’ national stakes for China, they essentially undercut any possible leadership ambitions that China may harbour. Not only are China’s policies not contributing to a resolution of these issues, its actions are also exacerbating regional divisions, as seen in the SCS disputes and in Beijing’s approach towards ASEAN. As the PRC moves forward with pursuing its geopolitical objectives, China-associated regional anxieties are unlikely to recede by 2025.

Secondly, as long as the United States remains engaged in the Asia-Pacific through its system of bilateral alliances and partnerships, a China-led regional order will not materialise. The US system comprises formal alliances – stretching from Northeast Asia, with Japan and South Korea, to Southeast Asia, with the Philippines and Thailand, and further south to Australia – as well as a number of non-allied partnerships, such as those with Singapore, India, and, increasingly, with Vietnam. Despite regional concerns about US disengagement under Donald Trump, at the time of writing, the US administration, for all intents and purposes, has reassured Asian countries of the United States’ continuing security involvement in the Asia-Pacific. Although a complete US retreat from the region over the next ten years appears unlikely, selective disengagement (as in the form of US withdrawal from the Trans-Pacific Partnership) may become a characteristic of the United States’ adjustment of its Asia-Pacific strategy. All in all, the continuing presence of the United States, alongside the force modernisation efforts and military reorientation of regional players like Japan and India, undermines the prospect of Chinese hegemony.

Pursuing selective regional domination

Over the next decade, China will not be able or ready to lead the Asia-Pacific. Beijing, nevertheless, will steadily seek more regional influence and even domination on select issues, whenever it considers it possible to escape significant costs. The success of this strategy will in large part depend on the PRC’s continuing economic growth. In the long term, China will not accept continuing US leadership in the Asia-Pacific. In the short- to medium term, the United States will remain the power that presents the greatest potential challenge to China’s regional ambitions. Therefore, Beijing’s primary objective in the coming decade will be to undermine, in an indirect and non-confrontational way, Washington’s regional influence and limit US interference in regional affairs. The PRC will also want to ensure that Asian countries refrain from pursuing (collective) actions detrimental to Chinese interests. China will do so by increasingly relying on its growing economic leverage over its Asian neighbours, including core US allies, and by strengthening and enlarging its ‘network of friends’.

In order to deal with the numerous domestic and socio-economic challenges, a stable and peaceful regional environment, including positive relations with its neighbours, will remain of critical importance for the PRC. The recent escalation of tensions in the ECS and SCS has led to a reinforcement of US alliances and partnerships in the Asia-Pacific, while undermining China’s regional reassurance strategy pursued since the 1990s. In an effort to remedy this, Beijing has placed great emphasis on bringing benefits to the region from China’s economic growth by seeking to extend its reach with concrete initiatives, such as the AIIB. Over the next ten years, China will continue to rely on economic and institutional instruments of foreign policy to steadily expand its political and economic clout in the Asia-Pacific. From Beijing’s perspective, if the US alliance system were to fail, in particular as a result of America’s inability or unwillingness to continue bearing the costs and risks of engagement, smaller countries currently protected by it may submit to China. While the United States is unlikely to disengage in the short term, which means that many Asian countries will continue to seek its security protection, the PRC does have an interest in weakening this system and peeling away US allies, by wooing them with economic and infrastructural incentives. In this way, the PRC will aim to shape the regional order in China’s favour, while also subtly undermining US regional influence.

A major objective for China will be to prevent anti-China coalition building in the region that may or may not include the United States but could be led by major rivals, such as Japan. In this regard, a clear trend can now be observed in the PRC’s regional security strategy towards its Asian neighbours. China has increasingly replaced its past approach of comprehensive reassurance – pursued towards all regional players – with conditional reassurance in specific circumstances – pursued
in combination with coercion towards targeted countries, such as Japan. Beijing has applied economic coercion in its relations with some Asian states, rewarding those that submit to its interests and punishing those that go against them. As the PRC’s relative power in the Asia-Pacific grows, this combination of cooperation and confrontation may become an integral component of China’s strategy for selective domination by 2025. Through the use of threats of economic retribution and incentives, Beijing will seek to keep various rivals dependent on China economically, but separated from one another strategically. This will undermine regional attempts at the formation of anti-China alignments.

At the same time, it is unlikely that the PRC will establish formal alliances to counter the US in the Asia-Pacific in the coming decade. Alliances are practically absent from Beijing’s conceptualisation of its foreign and security policies. China is wary of treaty-based commitments that restrict flexibility and impose responsibilities. The major exception to this is the formalised partnership with the Democratic People’s Republic of Korea (DPRK), which entails security guarantees to Pyongyang in case of an external provoked aggression against North Korea, and the more substantiated ties with Pakistan. However, the DPRK has increasingly become a strategic burden to Beijing. North Korea’s provocative behaviour under Kim Jong-un has led to rising tensions in China’s neighbourhood. Japan has stepped up its security ‘normalisation’ and South Korea has agreed to the THAAD deployment, thereby reinforcing the US footprint in Northeast Asia.

Instead of building alliances, China has been establishing a global network of partnerships with countries that share its concerns about US dominance or hold similar perceptions of the challenges they are facing. In some instances, Beijing has sought to exploit cracks in bilateral relations of Asian countries with the United States to pull them into its (economic) orbit and away from Washington. Cases in point are China’s overtures towards Thailand following the 2014 military coup and towards the Philippines after the election of Rodrigo Duterte. In the coming decade, the PRC will continue on this path, strengthening its system of flexible partnerships with various Asian countries. China will explore ways of reaping the benefits of alliances, especially to shield itself against the United States and Japan, without actually bearing the high costs associated with formalised commitments. The PRC will seek to strengthen its economic and other issue-specific partnerships, paralleled by increased confidence-building measures and defence engagements, such as naval port calls and joint military exercises with different countries, in order to obtain, in return, support for its foreign policy initiatives as well as acceptance of a certain measure of Chinese leadership in the Asia-Pacific region.

3. Liu Feng, op. cit. in note 1, p.165.
China and the uncertain regional order by 2025

China believes that the ongoing power shift in the Asia-Pacific is tilting in its favour. Although it expects that, in the long term, the United States will gradually reduce its military presence, it realises that this is unlikely to happen by 2025. In order to counter the United States, as well as other Asian rivals, especially a ‘normalising’ Japan and a rising India, the PRC in the decade ahead will significantly invest in increasing its relative power.

China will move forward with building a strong national defence and the modernisation of its armed forces, paying particular attention to its navy and the defence of the first island chain. It will continue to press its territorial claims in the ESC and the SCS, prepare for a contingency with Taiwan and seek to significantly limit US power projection and ability to freely operate in the Western Pacific. China will try to avoid outright confrontation with the United States and its allies, such as Japan, or with smaller ASEAN claimants in the SCS. Yet, the PRC’s rising power and corresponding expansion of its national security interests, together with the growing calls domestically for Beijing to stand up to possible competitors, will likely lead to more frequent acts of Chinese assertiveness in the decade ahead. While military escalation comes at a high cost – with the potential to jeopardise domestic and regional stability and tarnish China’s international image – unintended conflict cannot be ruled out under these conditions.

In the years to 2025, the main task for Beijing will be to ensure that the present uncertain regional order will evolve into one favourable to Chinese interests and leadership ambitions. At this point, it remains unclear, however, whether China has a distinct alternative vision for the regional order – one that would replace the current system. Beijing has aspirations for more influence and leadership, but is reluctant to bear the costs. It seeks to advance a ‘new model of major power relations’ with the United States, yet this seems merely an attempt to weaken the US-led alliance structure. The PRC calls for common security in the region and accommodation of the ‘legitimate security concerns of all parties’, while trying to undermine the interests of other major powers, such as Japan’s, and sowing division among smaller ASEAN states. It may well be that Beijing is simply testing the waters in this uncertain strategic environment. However, the discrepancy between China’s declarations of intent and its actual actions only serves to reinforce regional distrust of China.

Admittedly, the type of regional order that will emerge in the Asia-Pacific will depend on a number of variables that are beyond China’s control. These include, in particular, the US’s ability and willingness to uphold its regional commitments, as well as other Asian countries’ response to China’s behaviour. Additionally, Japan’s and India’s regional positioning, ASEAN’s ability to maintain cohesion, and the situation on the Korean Peninsula all factor into this equation. These external

variables will prove critical in determining whether the future regional environment will be confrontational or cooperative - and what China’s position in it will be. For the decade ahead, mindful of its own vulnerabilities, the PRC will seek to lay the groundwork for a post-American regional order, inclusive of China’s concerns and leadership aspirations. Whether this will be a step towards future Chinese hegemony remains uncertain.