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China's Aspirations and the Clash of Nationalisms in East Asia: A Neoclassical Realist Examination

Randall L. Schweller

This paper applies a neoclassical realist approach that combines systemic- and domestic-level variables to explain important aspects of the current global delegitimation phase. The key unit-level variable is nationalism, which interacts with structural-systemic factors to create unexpected behaviors for both the rising power and its threatened neighbors. With respect to China, nationalism interacts with its power status and trajectory to produce an increasingly assertive foreign policy regardless of whether it continues rising or stalls. With respect to China's neighbors, nationalism makes it easier for leaders to mobilize public support for military preparation and sacrifices associated with internal balancing behaviors. But nationalism and other powerful domestic factors interact with system structure to constrain China's neighbors from aligning with each other. These domestic restrictions that reduce the apparent flexibility of alliances under multipolarity partly explain the puzzling absence of a counter-balancing coalition against a rising and increasingly assertive China.

Keywords: nationalism, alliances, neoclassical realism, Chinese assertiveness, neorealism

Introduction

International politics is transforming from a system anchored in predictable and relatively constant principles to one that is far more erratic, unsettled, and devoid of behavioral regularities. Global chaos is the new normal.[1] Part of this world disorder is attributable to a

1. Doyle McManus, "Is Global Chaos the New Normal?" *Los Angeles Times*, July

global diffusion of power driven by an extraordinary transfer of wealth over the past decade from West to East and South. According to the U.S. National Intelligence Council: "By 2030, Asia will have surpassed North America and Europe combined in terms of global power based on GDP, population size, military spending, and technological investment."[2] In the near term, the United States will remain the strongest and only world power, but it no longer towers over all contenders. *Pax Americana* is coming to an end.

Speculating about the post-American era, Randall Schweller and Xiaoyu Pu argued that the world was entering a delegitimation phase.[3] Power shifts of the current magnitude and speed typically unravel the established international order. Lesser states in the international system follow the leadership of the dominant state and its allies in part because they accept the legitimacy and utility of the existing order; that is, they accept the hegemon's authority to rule and the hierarchy of prestige that reinforces its order. Over time, global power is redistributed, weakening the hierarchy of prestige and increasing the ambiguity in interpreting it. A widening disjuncture between actual power and prestige (the reputation for power) is frequently the prelude to eras of conflict and struggle, as the legitimacy of the international system — its nature and governance — increasingly comes under challenge from rising dissatisfied powers.[4] Prior to the arrival of a great-power military confrontation or even the threat of such conflict, the rising challenger must first delegitimize the hegemon's global authority and order.[5] This 'delegitimation'

29, 2014. http://www.latimes.com/opinion/op-ed/la-oe-mcmanus-column-foreign-policy-chaos-20140730-column.html.

2. The United States National Intelligence Council (NIC), *Global Trends 2030: Alternative Worlds* (Washington, DC: U.S. Government Printing Office, 2012), p. 19.
3. Randall L. Schweller and Xiaoyu Pu, "After Unipolarity: China's Visions of International Order in an Era of U.S. Decline," *International Security* 36, no. 1 (Summer 2011), pp. 41-72.
4. Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981).
5. This is particularly true for unipolar systems, in which balancing behavior is

phase, which appears years before the critical inflection point of a power transition, creates the conditions for the emergence of a future revisionist counterhegemonic coalition. During this phase, the rising challenger voices its dissatisfaction with the established order and forges the social purpose that will become the foundation of its demand for a new world order. Thus, China and the other rising powers will not simply embrace the existing Western order but will, instead, fashion alternative orders based on their own cultural, ideological, and sociological proclivities, giving voice to diverse discourses of resistance.[6]

This article extends the structural theory of emerging delegitimation to include variables at the domestic level of analysis and thereby offers a neoclassical realist explanation for China's current posture in East Asia and its neighbors' responses. The key variable is nationalism, which interacts with power to create unexpected behaviors for both the rising power and its threatened neighbors. With respect to the rising power (currently, China), nationalism interacts with its power status and trajectory to produce what I call a "double whammy" effect: an increasingly assertive foreign policy regardless of whether the challenger's rise continues or stalls. With respect to China's neighbors, nationalism makes it easier for leaders to mobilize public support for military preparation and sacrifices associated with internal balancing behavior (military buildups).[7] But various domestic factors, including nationalism, interact with aspects of regional multipolarity to constrain them from aligning with each other to maintain their security.[8] These 'alliance handicaps,' to use Liska's term, considerably

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entirely revisionist in its goal: to overthrow the existing unipolar (unbalanced) system and replace it with a balance of power system. See Schweller and Pu, "After Unipolarity." For the strategy of delegitimation, see Stephen M. Walt, *Taming American Power: The Global Response to U.S. Primacy* (New York: W.W. Norton, 2005), pp. 160-178.

6. Charles A. Kupchan, "The Normative Foundations of Hegemony and the Coming Challenge to Pax Americana," *Security Studies* 23, no. 2 (April-June 2014), pp. 219-257.
7. States can balance internally through the buildup of their own national and autonomous military capabilities, and externally through coalitions that aggregate their capabilities with those of their allies.

reduce the structural flexibility within the multipolar Asia-Pacific regional system and, thereby, explain the puzzling absence of a counterbalancing coalition against a rising and increasingly assertive China.[9]

Neoclassical Realism: The Complementarity of Structural and Domestic Realism

The anarchic environment in which states operate generates powerful incentives for them to behave in certain ways as opposed to others. So-called "third image" causes favored by structural realists (also known as neorealists) include: (1) the anarchic, self-help nature of international politics, which drives competitive security-maximizing and power-seeking behaviors; (2) dangerous threats to states' survival that compel them to build arms and form alliances; (3) irresistible opportunities in the form of power vacuums that tempt states to make gains at the expense of others; (4) a state's position (its relative power or status) within the international system, which determines its core national interests; (5) changes in the balance of power that trigger or intensify security dilemmas; and (6) competitive pressures to emulate the most successful practices of the day, especially in the arts and instruments of force, that produces a sameness of the competitors.[10]

Those who believe that system structure is the primary determinant of international politics claim that similarly placed states within the system are structurally constrained to act similarly, regardless of their domestic political systems, historical experiences, national traditions, ideological legacies, or deeply rooted ideas about foreign policy and world politics. If a state's position within the international system

8. See Zoltán Búzás, "Nationalism and Balancing: The Case of East Asia," unpublished paper, McGill University, Centre for International Peace and Security Studies, Fall 2014.
9. George Liska, *Nations in Alliance* (Baltimore: Johns Hopkins University Press, 1962).
10. Kenneth N. Waltz, *Theory of International Politics* (Reading, Mass.: Addison-Wesley, 1979), pp. 127-28.

(its status within the global hierarchy of power) largely determines its preferences, policies, and actions, then there is no need to reference country-specific "baggage" — ideational, historical, or domestic — that might otherwise inform and shape how it behaves on the international stage and what it seeks to achieve. Such a structurally dominant world conforms to Kenneth Waltz's claim that, in "self-help systems, the pressures of competition weigh more heavily than ideological preferences or internal political pressures."[11]

In this hypothetical world driven entirely by structural-systemic causes, there are no uniquely American, Japanese, Chinese, Russian, or Korean explanations for these countries' behaviors or foreign policy preferences. It is a world driven by massively intense structural incentives and constraints consistent with Arnold Wolfers's famous "house on fire" and "racetrack" analogies, where external compulsion determines behavior.[12] Structural theories of this kind must posit strict situational determinism — a "straitjacket" or "single exit" notion of international structure — that leaves actors with no other choice but to act as they did, such that no outcome can occur other than the one predicted by the theory.[13]

Waltz himself, however, clearly does not subscribe to such a view. Instead, he argues that international structure (anarchy and the system-wide distribution of capabilities) provides only "a set of constraining conditions" for state action. The external environment, in Waltz's words, "can tell us what pressures are exerted and what possibilities are posed by systems of different structure, but it cannot tell us just how, and how effectively, the units of a system will respond to those pressures and possibilities."[14] He further asserts: "Each state arrives at policies and decides on actions according to its own internal processes,

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11. Kenneth N. Waltz, "A Reply to My Critics," in Robert O. Keohane (ed.), *Neorealism and Its Critics* (New York: Columbia University Press, 1986), p. 329.
12. Arnold Wolfers, *Discord and Collaboration: Essays on International Politics* (Baltimore, Md.: The Johns Hopkins University Press, 1962).
13. Spiro J. Latsis, "Situational Determinism in Economics," *British Journal for the Philosophy of Science* 23 (1972), pp. 207-245.
14. Waltz, *Theory of International Politics*, p. 71.

but its decisions are shaped by the very presence of other states as well as by interactions with them."[15] In this view, international structure accounts for continuities and uniformity of outcomes despite the variety of inputs over time and space. Conversely, unit-level theories explain "why different units behave differently despite their similar placement in a system."[16]

The key point for present concerns is that Waltzian neorealism makes no assertions about what domestic processes look like, where they come from, and how they influence the way nations assess and adapt to changes in their environment.[17] Structural realism is strictly a theory of international politics, which, accordingly, makes no claim to explain foreign policy or specific historical events. Unhappy with this limitation, young realist scholars in the early 1990s spontaneously formed a new school of political realism, called neoclassical realism. Placing the rich but often discursive insights of early realist works within a more theoretically rigorous framework, these scholars embraced the more densely textured formulations of traditional, pre-Waltzian realists — formulations that permitted a focus on foreign policy as well as systemic-level phenomena. Neoclassical realism does not reject systemic theory but instead combines it with domestic-level theorizing, exploring the internal processes by which states arrive at policies and decide on actions in response to the pressures and opportunities in their external environment. After all, a compelling account of a nation's

15. Ibid., p. 65.
16. Ibid., p. 72.
17. This is precisely why structural realism not only can incorporate domestic-level processes as causal variables in a consistent and rigorously deductive manner but must do so to offer a complete explanation of the core processes the theory itself identifies: balancing, uneven growth rates, and the "sameness effect." See Jennifer Sterling-Folker, "Realist Environment, Liberal Process, and Domestic-Level Variables," *International Studies Quarterly* 41, no. 1 (March 1997), p. 22. Even Christopher Layne — one of the staunchest proponents of Waltzian structural realist — admits that structural effects, such as great-power emergence, result from unit-level actions and decisions. See Layne, "The Unipolar Illusion: Why New Great Powers Will Rise," *International Security* 17, no. 4 (Spring 1993), p. 9.

foreign policy should include systemic, domestic, and other influences, specifying what aspects of the policy can be explained by what factors.[18] In his seminal article on the subject, Gideon Rose, who coined the term "neoclassical realism," explained it this way:

> [Neoclassical realism] explicitly incorporates both external and internal variables.... Its adherents argue that the scope and ambition of a country's foreign policy is driven first and foremost by its place in the international system and specifically by its relative material power capabilities. This is why they are realist. They argue further, however, that the impact of such power capabilities on foreign policy is indirect and complex, because systemic pressures must be translated through intervening variables at the unit level. This is why they are neoclassical.[19]

In practice, neoclassical realists have explained foreign policy decisions and particular historical events by supplementing "third image" insights about international structure and its consequences with first- and second-image variables, such as domestic politics, internal extraction capacity and processes, state power and intentions, and statesmen's perceptions of the relative distribution of capabilities and the offense-defense balance.

Returning to Wolfers's "house on fire" analogy, the emergence of powerful aggressors — states that make security scarce and war appear

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18. See Fareed Zakaria, "Realism and Domestic Politics: A Review Essay," *International Security* 17, no. 1 (Summer 1992), p. 198. Likewise, Jack Snyder writes: "Theoretically, Realism must be recaptured from those who look only at politics between societies, ignoring what goes on within societies. Realists are right in stressing power, interests, and coalition making as the central elements in a theory of politics, but recent exponents of Realism in international relations have been wrong in looking exclusively to states as the irreducible atoms whose power and interests are to be assessed." Jack L. Snyder, *Myths of Empire: Domestic Politics and International Ambition* (Ithaca and London: Cornell University Press, 1991), p. 19.
19. Gideon Rose, "Neoclassical Realism and Theories of Foreign Policy," *World Politics* 51, no. 1 (October 1998), p. 146. Rose refers to Thomas Christensen, Aaron Friedberg, Randall Schweller, William Wohlforth, and Fareed Zakaria as neoclassical realists.

inevitable — raises the temperature to the point where we can speak of compulsion in the external environment: rational people within a burning house will rush to the exits. In terms of international politics, the third image provides a straightforward prediction for how states can be expected to respond to powerful aggressors: they will build arms and form alliances to counterbalance them. It also partly explains why the house is on fire (that is, why a country becomes aggressive and threatening to its neighbors): a rapidly rising power will seek power and influence commensurate with its newfound power, often demanding changes in the status-quo order.

If the world follows this script, then third-image theories explain much, if not all, we need to know. But what if the house remains on fire even when a rising challenger stops rising and begins to decline? What if threatened neighbors do not rush to leave the burning house? In other words, what if the regional rivals of a powerful state do not build arms and form alliances in response to its growing power? Purely third-image theories cannot explain these puzzles. Explanations for these counterintuitive behaviors are rooted, instead, in unit-level causes — those that reside within the state itself.

When so-called second-image variables define international relations, the overall story of international (or regional) politics will not be simple, straightforward, or even coherent from the big picture perspective. Instead, international politics will be the fractured product of many individual and often quite complex storylines — some embedded in partisan politics, others in domestic structures and cultural values, and still others in ideas, trials, and experiences that may have occurred decades or even centuries ago. The complexity of second-image theories results from their emphasis on the redistributive aspects of grand strategic choices, highlighting the pressures within the state rather than the pushes and pulls from outside it. This inside-out approach typical of all domestic-politics theories starts with the premise that leaders' foreign policy choices are often constrained and sometimes distorted by societal interests (e.g., bankers, industrialists, merchants, interest groups, and the general public) that have a stake in the nation's foreign policy.[20]

Recognizing that national intentions and definitions of the national interest are forged not only by a state's position within the international structure but also by second-image (internal) factors, assessments of the degree of security within a region often turn on the domestic politics of the region's major powers. The current case of China's new assertiveness is the product of causes at both the second and third images. The key second-image variable is nationalism, which combines with both the power trajectory of the rising challenger and the balancing dynamics of China's neighbors in ways that will likely ratchet up East Asian insecurity. Nationalism is a natural complement to structural realist theory; its domestic-level counterpart.[21] The notion of a constant struggle among nations over issues of power, security, and prestige that animates realism is in no small part a consequence of nationalism, which "fuels interstate rivalry and by its sharp delineation of in- and out-groups, abets status rivalry, accentuates stereotyping, and deepens and perpetuates perceived grievances."[22]

China's Assertiveness as an Outgrowth of Rising Power

From 2009 to late 2010, China engaged in a series of contentious diplomatic initiatives, which, regardless of Beijing's intentions, implied a Chinese challenge to the post-Cold War regional order and to the U.S. security system in East Asia. In March 2009, Chinese fishing vessels surrounded and harassed a U.S. Navy surveillance ship operating outside Chinese territorial waters. At the Copenhagen Climate Change Conference in December 2009, China refused to accept legally binding commitments on emission cuts. In January 2010, China challenged U.S. arms sales to Taiwan, and then reacted with anger over the Dalai

20. See, for instance, Peter Trubowitz, *Politics and Strategy: Partisan Ambition and American Statecraft* (Princeton, N.J.: Princeton University Press, 2011).
21. See John J. Mearsheimer, "Kissing Cousins: Nationalism and Realism," *Yale Workshop on International Relations* (Unpublished manuscript, May 5, 2011).
22. Steve Chan, *Looking for Balance: China, the United States, and Power Balancing in East Asia* (Stanford, Calif.: Stanford University Press, 2012), p. 65.

Lama's visit in February 2010. The "new assertiveness" impression was further fueled by China's seemingly more expansive claims over the South China Sea in March 2010; by its loud protest against U.S.-South Korean naval exercises in international waters in the Yellow Sea; by its diplomatic defense of violent actions by the Democratic People's Republic of Korea (DPRK) in March and November 2010; and by its tough response to the Japanese arrest of a Chinese fishing captain in September 2010.[23]

Since 2010, the Chinese government has been increasingly willing to follow popular nationalist calls to confront Western powers and adopt tougher measures in maritime territorial disputes with its neighbors. Thus, in November 2013, China unilaterally declared an Air Defense Identification Zone (ADIZ) over an area of the East China Sea that covers the Senkakus, the uninhabited islands administered by Japan but claimed by China, where they are called Diaoyu. This move drew sharp criticism from both Tokyo and Washington. China is "attempting to alter the status quo by coercive measures," including "dangerous acts that could cause unintended consequences," says the Japan's Ministry of Defense in its annual defense White Paper released on August 5, 2014.[24] The report goes on to express concern that China's rapidly expanding maritime and airspace activities around the Senkaku Islands are ratcheting up tensions in the East China Sea that could trigger an unwanted clash.

Similarly, China's sovereignty spats in the South China Sea with several Southeast Asian states came to a head in a prolonged naval standoff with the Philippines over the Scarborough Shoal (Huangyan Island). Tensions with Vietnam — another disputant to China's claims

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23. See Alastair Iain Johnston, "How New and Assertive Is China's New Assertiveness?" *International Security* 37, no. 4 (Spring 2013), pp. 7-48. Johnston challenges the validity of the dominant "new assertiveness" view, which he claims has "gone viral" in the U.S. media, the blogosphere, and in scholarly work.
24. Japanese Ministry of Defense, *Defense of Japan 2014: Annual White Paper* (Tokyo, Japan: August 5, 2014), http://www.mod.go.jp/e/publ/w_paper/pdf/2014/DOJ2014_1-1-0_1st_0730.pdf

over South China Sea islands — also remain high. Most recently, China and Vietnam engaged in a two-and-a-half-month standoff over the Chinese rig known as HD 981, managed by the China National Petroleum Corporation and owned by the state-run China Offshore Oil Corporation, which was drilling in waters Vietnam considers its exclusive economic zone. Emboldened by Vietnam's inability to block HD 981, Beijing announced in July 2014 that it would place four more rigs in the South China Sea. The standoff over the rig was especially significant because it showed a high degree of interagency coordination among China's civilian maritime agencies, the People's Liberation Army, and the oil companies. Most important, it suggested that Xi Jinping has quickly consolidated his power and is now aggressively pushing China's maritime claims.[25]

Not surprisingly, discussion of China's rise, especially among the American and Japanese media, has been dominated in recent years by the theme of a newly assertive China — one that, as it grows economically and militarily more powerful, becomes more comfortable politically in revealing its "true colors."[26] Explanations of China's new assertiveness have focused on both international structure and China's domestic politics. In terms of international structure, pundits claim that, in the wake of the 2008 financial crisis, Chinese leaders perceived a dramatic shift in the global balance of power.[27] The perceived decline of American power and onset of a more multipolar world, so the argument goes, emboldened Chinese leaders to be "more confident in ignoring Deng Xiaoping's longtime axiom not to treat the United States as an adversary, and in challenging the United States on China's interests."[28] Here, China's new assertiveness is consistent with the classical realist principle that nations expand their

25. Austin Ramzy, "On South China Sea, As China Flexes Muscle," *New York Times*, August 10, 2014, p. 10.
26. For examples of this type of commentary, see Michael Swaine, "Perceptions of an Assertive China," *China Leadership Monitor*, No. 32 (May 2010), p. 10, note 1.
27. Swaine, "Perceptions of an Assertive China," p. 2.
28. Johnston, "How New and Assertive Is China's New Assertiveness?" p. 35.

political interests abroad when their relative power increases; that is, a state's interests grow in lockstep with its power. In Robert Gilpin's words: "The Realist law of uneven growth implies that as the power of a group or state increases, that group or state will be tempted to try to increase its control over the environment. In order to increase its own security, it will try to expand its political, economic, and territorial control, it will try to change the international system in accordance with its particular set of interests."[29] In this view, China's assertiveness and rising nationalism are predictable consequences of its changed (more exalted) position within the international system.

The relationship between state power and nationalism — by which I mean not political movements seeking to create nation-states but rather the assertive foreign policies of governments to embellish state power and the formation of public opinion in support of such policies — suggests that nationalism may be understood as a core domestic component of structural realism. A change in a state's power and wealth usually causes a corresponding change in its foreign policy. Simply put, as a state grows more powerful, it seeks greater influence. Heightened nationalism among the masses merely reflects their country's greater aspirations and dissatisfaction with the established order, which it is determined to change.

Given China's determination to avenge its unjust past, there is every reason to expect that Chinese nationalism will continue to grow in lockstep with the country's increased power. This phenomenon is already evident among Chinese policymakers, military officials, and average citizens. The consensus is that China must eventually become more internationally assertive to the point where China, like the United States, is willing to intervene in the domestic affairs of other countries to protect its far-flung interests abroad.[30] Moreover, some

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29. Gilpin, *War and Change*, pp. 94-95; Fareed Zakaria, *From Wealth to Power: The Unusual Origins of America's World Role* (Princeton N. J.: Princeton University Press, 1998), pp. 19-20.
30. See Mark Leonard, "Why Convergence Breeds Conflict: Growing More Similar Will Push China and the United States Apart," *Foreign Affairs* 92, no. 5 (September/October 2013), pp. 129-30.

suggest that the goal of global dominance lies at the core of China's journey from humiliation to rejuvenation. The notion of national rejuvenation, according to the conservative Chinese analyst Yan Xuetong, "conjures 'the psychological power' associated with China's rise 'to its former world status.' The concept assumes both that China is recovering its natural position and that this means being the 'number one nation in the world'."[31]

China's Assertiveness as an Outgrowth of Declining Power

If China's continued rise is predicted to cause it to behave more assertively, then we might expect a deceleration of its growth to cause it to be more reserved. Thus, if unmanageable official corruption, an aging population, and an unsustainable economic model slow or even reverse China's economic growth, then Beijing will naturally restrain China's aggressive behavior and moderate its goals. This assertion follows logically from Realism's core claim that a state's interests are determined by its power trajectory. There is another, however, more disturbing possibility: rather than moderating Beijing's assertiveness, economic decline might intensify internal problems, making the Chinese government, for reasons discussed below, more likely to stoke hypernationalism among the Chinese masses, more belligerent in its foreign relations, and more prone to miscalculation. If so, the danger is not only managing China's rise but weathering its eventual decline.

The straightforward logic of "if growth causes assertiveness, then decline causes moderation" is confounded by causes rooted in the second image. Incompetent rulers have routinely whipped up hypernationalism (national paranoia and fear of external enemies) to blunt internal opposition and distract the public's attention from the regime's economic mismanagement and other failings. This is the

31. Yan Xuetong as quoted in Jacqueline Newmyer Deal, "China's Nationalist Heritage," *The National Interest*, No. 123 (January/February 2013), p. 49.

familiar "scapegoat hypothesis" or diversionary war theory, which takes a decidedly "second-image" view of a nation's foreign policy. The causal scheme goes essentially as follows. A severe economic crisis or downturn causes social unrest at home. Threatened by mass discontent and antigovernment hostility, the ruling regime tries to shore up its domestic support by searching for enemies (an out-group to target) in an attempt to: (1) divert the public's attention away from the government's poor performance (its inability to solve the country's economic troubles) and (2) gain in-group solidarity and a rally-around-the-flag effect.[32] Seen in this light, China's recent tough diplomacy stemmed not from confidence in its military and economic strength but from a deep sense of insecurity. Faced with the challenges of "nerve-racking years of financial crisis and social unrest," Robert Ross explains, "and no longer able to count on easy support based on the country's economic growth, China's leaders moved to sustain their popular legitimacy by appeasing an increasingly nationalist public with gestures of force."[33] Growing unrest and the need to reverse a real crisis of legitimacy gave Beijing "no choice but to appease a growing cadre of hardline nationalists who wanted to project a tough image of China to the world."[34]

Along these lines, Innenpolitikers argue that the common problem of self-destructive overexpansion — including imperial overstretch, when a state's reach exceeds its grasp — has its origins in domestic politics. A shift in domestic coalitions necessitates redefinition of the "national interest." Specifically, the combination of a collective action problem (the costs of imperialism are spread widely among the masses, while the benefits are concentrated in the hands of a few), weak central authority, and the praetorian nature of society allow the state to be

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32. See Jack S. Levy, "The Diversionary Theory of War: A Critique," in Manus I. Midlarsky (ed.), *The Handbook of War Studies* (Boston: Unwin Hyman, 1989), pp. 259-288.
33. Robert S. Ross, "The Problem with the Pivot: Obama's New Asia Policy is Unnecessary and Counterproductive," *Foreign Affairs* 91, no. 6 (November/December 2012), p. 72.
34. Ibid., p. 75.

'hijacked' by special interest groups.[35] This process is particularly ripe for engendering reckless foreign policies when the hijacking groups not only have close ties to the state but derive parochial benefits from expansion and its associated military preparations and competitive political climate (namely, the military, heavy industrialists, populist demagogues, and pressure groups with an interest in war, military mobilization, empire, or protectionism). Forced to engage in a competitive process to mobilize mass support for their parochial policies, powerful elite groups within cartelized political systems propagate strategic rationales for their preferred programs — what Jack Snyder calls "myths of empire," which include the belief that conquest pays, that military success will induce states to bandwagon with the aggressor and cause dominoes to fall, and that threats and offensive strategies are the most effective means to enhance the state's security and influence.

These myths are then translated into actual programs for expansion by means of logrolling among competing elite groups — a policy-making process that generates the perverse effect of recklessly expansionist foreign policies, more extreme than any individual group would prefer on its own.[36] As Snyder explains, "logrolling works by giving each group what it wants most, so that even if only some of the groups in the coalition favored policies leading to war and expansion, that would be enough to make their adoption likely."[37] Driven by this byzantine political logic, the masses are whipped into a hyper-nationalist feeding frenzy, while their feckless leaders have fallen victim to "blowback" or, if clear-eyed, cannot get off the tiger's back.

This pattern of reckless expansion and hypernationalist rhetoric is made worse by the movement toward a more open and competitive political system. Statistical studies have shown that nations in transition from authoritarianism toward democracy are most likely (compared with stable autocracies and stable democracies) to initiate

35. Praetorian societies are those in which there is great pressure for mass political participation but institutions for effective participation are weak.
36. Snyder, *Myths of Empires*, pp. 39-49.
37. See Edward D. Mansfield and Jack L. Snyder, "Democratization and the Danger of War," *International Security* 20, no. 1 (Summer 1995), pp. 31-32.

conflict with their neighbors.[38] The reason for this rather counterintuitive finding is that democratizing states typically undergo a combustible process of rapid mass participation before effective democratic institutions have emerged to handle the enormous pressures for political participation. With democracy taking place in the streets (akin to mobocracy) rather than within institutionalized channels, elites resort to militant nationalist appeals in an attempt to mobilize and steer mass support without surrendering their grip on power. Nationalist pressure groups, for their part, serve "to limit the set of possible solutions available to leaders on the international stage, thus restricting their ability to pursue the more flexible policies and compromises that could [help] to avert conflict."[39] Additionally, nationalist constituents increase the stakes and payoffs of prestige politics and contribute to tensions that might precipitate war by tilting the scales of domestic political incentives in the direction of confrontation.

We may be seeing just such a dangerous dynamic playing itself out in China over the next decade or so. According to David Lampton, China is experiencing a tectonic shift: the pluralization and fracturing of its society, economy, and bureaucracy, making it progressively more challenging for China's leaders to govern.[40] The Beijing government's job is made all the more difficult by "more densely packed urban populations, rapidly rising aspirations, the spread of knowledge, and the greater ease of coordinating social action" as well as "by the lack of institutions that would articulate various interests, impartially adjudicate conflicts among them, and ensure the responsible and just implementation of policy."[41] A China characterized by a weaker state and a stronger but more diffuse society will require

38. See, for instance, Edward D. Mansfield and Jack L. Snyder, *Electing to Fight: Why Emerging Democracies Go to War* (Cambridge, Mass.: MIT Press, 2005).
39. Ja Ian Chong and Todd H. Hall, "The Lessons of 1914 for East Asia Today: Missing the Trees for the Forest," *International Security* 39, no. 1 (Summer 2014), p. 29.
40. David M. Lampton, "How China is Ruled: Why It's Getting Harder for Beijing to Govern," *Foreign Affairs* 93, no. 1 (January/February 2014), pp. 74-84.
41. Ibid., p. 83.

substantial political reform that includes more reliable "rule of law" mechanisms to resolve conflicts, accommodate various interests, and distribute scarce resources.

Currently, the Communist Party of China (CPC) legitimizes its rule less on communist principles than on continued prosperity and the avoidance of social chaos, combined with appeals to nationalism. As Aaron Friedberg points out, however: "If economic progress falters, the present government will have little choice but to lean even more heavily on nationalist appeals as its sole remaining source of support. It may also be inclined to resort to assertive external policies as a way of rallying the Chinese people and turning their energies and frustrations outward, most likely toward Taiwan or Japan or the United States, rather than inward, toward Beijing."[42] This threatening scenario will likely be realized if China continues to pluralize and fracture but fails to build the institutions and norms required for responsible and just government at home and constructive behavior abroad. Indeed, as China goes down this path, the stage will be set for the kind of hypernationalist rhetoric and reckless foreign policies that have taken root in all other great powers similarly afflicted by cartelized politics and fragmented societies.

A related domestic view emphasizes the rise of Chinese popular nationalism coupled with the declining legitimacy of the ruling regime. Suisheng Zhao, for instance, argues that China's "strident turn" is explained by the convergence of state and popular nationalism calling for a more muscular Chinese foreign policy. "Enjoying an inflated sense of empowerment supported by its new quotient of wealth and military capacities, and terrified of an uncertain future due to increasing social, economic and political tensions at home, the communist state has become more willing to play to the popular nationalist gallery in pursuing the so-called core national interests."[43] The interaction between

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42. Aaron Friedberg, "The Future of U.S.-China Relations: Is Conflict Inevitable?" *International Security* 30, no. 2 (Fall 2005), p. 30.
43. Suisheng Zhao, "Foreign Policy Implications of Chinese Nationalism Revisited: The Strident Turn," *Journal of Contemporary China* 22, no. 82 (March 2013), p. 535.

officials and citizens in China has been transformed by the Internet and the commercialization of the media. While much of this change has been for the good, there is a dangerous downside: hypernationalist "netizens" have become the most dynamic of China's new foreign policy actors. As Linda Jakobson and Dean Knox point out:

> Although the online community encompasses a wide range of views, nationalist sentiment is prevalent and can escalate to extremes. Criticism of Chinese leaders for being too weak and bowing to international pressure is incessant on Internet forums. Chinese officials are acutely aware of how rapidly this dissatisfaction with foreign policy can give rise to questioning of the CPC's capability to govern. Hence, leaders' actions are indeed constrained by public opinion at large and especially by the views of the online community during international crises touching on China. This is especially relevant when Japan or the United States is involved or in conjunction with any issues related to Taiwan and Tibet.[44]

Whereas past Chinese nationalism was confined largely to young Chinese and to some soldiers in the PLA, it has spread to Chinese business people, academics, and elite politicians.[45] This new "cyber-nationalism," according to Shih-Ding Liu, "cannot simply be dismissed as top-down government manipulation or party propaganda. . . . Rather, the Chinese cyber-nationalists are keen to find their way to engage in nationalist politics and claim for the nation a vision that is not necessarily in line with the official discourse."[46] Social media is also used to organize large-scale nationalist protests not only in Beijing

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44. Linda Jakobson and Dean Knox, *New Foreign Policy Actors in China*, SIPRI Policy Paper No. 26 (Stockholm: Stockholm International Peace Research Institute, 2010), pp. 47-48, http://books.sipri.org/files/PP/SIPRIPP26.pdf.
45. Robert S. Ross, "The Domestic Sources of China's 'Assertive Diplomacy,' 2009-2010: Nationalism and Chinese Foreign Policy," in Rosemary Foot (ed.), *China Across the Divide: The Domestic and Global in Politics and Society* (New York: Oxford University Press, 2013), p. 79.
46. Shih-Ding Liu, "China's Popular Nationalism on the Internet. Report on the 2005 Anti-Japan Network Struggles," *Inter-Asia Cultural Studies* 7, no. 1 (March 2006), p. 148.

but in other cities against foreign governments. "Beyond the party's control," notes Jayshree Bajoria, "the emergence of the Internet in the last two decades has given nationalists more power to vent their anger after particular incidents. It has also brought the huge Chinese diaspora in places like Indonesia, the Philippines, Malaysia, Europe, and North America, into closer contact with those residing within China's borders," facilitating the continuous flow and escalation of nationalist rhetoric and propaganda.[47]

Importantly, PRC authorities turn to both the traditional press and online media, which are weighted toward extreme actors willing to risk the consequences of expressing their opinions, as indicators of public opinion. Specifically, influential academic, military advisors and high-ranking and retired officers of the PLA are frequently heard making thinly veiled threats in the official Chinese media about using military means to settle diplomatic flaps. Rear Admiral Yang, for instance, told the Xinhua News Agency, that "it is no longer possible for China to keep a low profile.... When any country infringes upon our nation's security and interests, we must stage a resolute self-defense.... Counter-attack measures [taken by Beijing] should be 'of short duration, low cost and efficient' — and leave no room for ambiguity or [undesirable] after-effects."[48] The result of public opinion in China being measured not by opinion polling but rather by "a set of collective notions that enter the public arena through such venues as popular media and the internet"[49] is a misleading portrait of a highly nationalist public that has assumed an authoritative dominance, especially on issues concerning Japan.

Other "second image" studies focus on new interest groups, such

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47. Jayshree Bajoria, "Nationalism in China," *Council on Foreign Relations*, April 23, 2008, http://www.cfr.org/china/nationalism-china/p16079.
48. Rear Admiral Yang Yi, as quoted in Willy Lam, "As China's Foreign Policy Hardens, It is Beijing Versus All," *AsiaNews.it*, July 4, 2012. http://www.asianews.it/news-en/As-China%27s-foreign-policy-hardens,-it-is-Beijing-versus-all-25192.html.
49. James Reilly, *Strong Society, Smart State: The Rise of Public Opinion in China's Japan Policy* (New York: Columbia University Press, 2011), p. 178.

as large state-owned oil companies, and their incorporation into the foreign policy decision-making process.[50] An expanded but poorly coordinated foreign policy decision-making process — one characterized by consensus-driven decision-making (which requires an enormous amount of discussion and bargaining to reach an acceptable compromise among concerned parties), half-hearted and ineffectual collaboration between government and Party organizations, and personal networks and allegiance to mentors — has enabled some interest groups to pursue their own expansionist policies.[51] Thus, large state-owned enterprises (SOEs) have been able to exert disproportionate influence over foreign policy decision making, especially when it comes to the security of supply issues for energy and natural resources (e.g., the China Metallurgical Construction Corporation's acquisition of the Aynak copper mine in Afghanistan, and the new China-Central Asia natural gas pipeline that will carry over four-fifths of Turkmenistan's gas production and supply nearly half of Chinese consumption). Appointed by the Party, CEOs of large SOEs enjoy a symbiotic relationship with the political leadership that allows them to benefit from state support for large business deals. The political leadership, for its part, depends on these SOEs to employ large numbers of people, to maintain high economic growth, and to provide the government with revenues and Communist Party officials with illicit funds that have become the lifeblood of modern Chinese "communism."

The big and important point is this: once a rising power reaches an advanced stage in its power ascent, it expands its interests and adopts a more assertive and revisionist foreign policy posture; and this is true whether its upward rise continues, pauses, or regresses. Causal factors at the level of international structure and domestic politics combine to create a double-whammy effect on the foreign policy of rising challengers, especially those that have experienced

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50. See Yan Sun, *Chinese National Security Decision-Making: Processes and Challenges* (Washington, DC: The Brookings Institution, 2013); Jakobson and Knox, *New Foreign Policy Actors in China*.
51. Jakobson and Knox, *New Foreign Policy Actors in China*, pp. 17-19.

dramatic and long-term growth. If a rising power continues to rise, its external ambitions soar accordingly. If it starts to decline, the leadership is tempted to whip up nationalism by finding external enemies in the hope of fostering internal cohesion and support for the ruling regime. If the country's rise stalls or, worse still, reverses its course, the ruling regime will be increasingly seen by the masses as illegitimate and incompetent. With internal pressure mounting, the regime under duress will become more willing to play to the popular nationalist gallery — a constituency that seeks a muscular foreign policy, creates incentives for prestige politics, is harshly critical of compromise, is quick to advocate the use of force, and expresses outrage when the government is perceived as acting weak or capitulating on the international stage.

What Does China Want?

Just as a rising United States sought dominance over the Western Hemisphere a century and a half ago, Beijing aims to dominate its own East and Southeast Asian backyard, where Washington has been the incumbent hegemon since World War II. Because two hegemons cannot simultaneously exist in the same region, Sino-American competition for supremacy in the Asia-Pacific region will likely continue until there is a decisive conclusion. Some see the region as a primed powder keg, waiting for a single spark to explode into war. Thus, Christopher Layne avers: "Unless one of them abandons its aspirations, there is a high probability of hostilities. Flashpoints that could spark a Sino-American conflict include the unstable Korean Peninsula; the disputed status of Taiwan; competition for control of oil and other natural resources; and the burgeoning naval rivalry between the two powers."[52]

A Chinese Monroe Doctrine would likely feature all or most of

52. Christopher Layne, "The Global Power Shift from West to East," *The National Interest*, No. 119 (May/June 2012), p. 28.

the following elements: (1) the withdrawal of U.S. forces from Japan and Korea; (2) U.S. naval retrenchment from east Asia, perhaps as far back as Hawaii; (3) the creation of two Pacific zones: an eastern Pacific zone dominated by the U.S., and a western Pacific zone dominated by a Chinese blue-water navy, operating beyond the so-called second island chain running from Japan southeast to New Guinea; (4) the harmonization of the foreign policies of China's neighbors with its own foreign policy; (5) the isolation, if not absorption, of Taiwan; (6) a renminbi currency bloc in the Pacific Rim; and (7) a regional trading zone.[53]

China's geostrategic interests are only part of the larger geopolitical story. As is the case with all aspiring hegemons, there is also a geoeconomic dimension to China's ascendance. A core goal of any rising power, after all, is not only to control territory and the behavior of other states but also to exercise more influence over the organization and management of the world economy. Such an urge should be especially potent for China now that it has become a bona fide superpower in the international monetary and financial system.

China's financial power, like that of Japan in the 1980s, is tied to its emergence as a major creditor country — the most dramatic symbol of which has been China's foreign exchange reserves, which reached a record USD 3.8 trillion in 2013 (approximately 43% of China's gross domestic product). For two reasons, China today is more insulated than Japan was decades ago from U.S. structural power over the international financial system. First, China's foreign assets are more unambiguously controlled by the state than was the case in Japan. Second, China, unlike Japan, is not dependent on the U.S. for its security.[54] Nevertheless, its foreign assets have been largely held in U.S. dollar-denominated assets, especially U.S. Treasury bills and bonds, leaving China vulnerable to exchange rate risks (a 10% drop in the value of

53. Robert E. Kelly, "What Would Chinese Hegemony Look Like?" *The Diplomat* (February 10, 2014): http://thediplomat.com/2014/02/what-would-chinese-hegemony-look-like/

54. Gregory Chin and Eric Helleiner, "China as a Creditor: A Rising Financial Power?" *Journal of International Affairs* 62, no. 1 (Fall/Winter 2008).

the dollar translates to about a 3% reduction in China's gross domestic product).[55] Recently, Beijing has been showing signs of desiring more independence. U.S. dollar-denominated assets now make up roughly 49 percent of Chinese reserves, down from 69 percent about three years ago.

China's soaring current account surplus, the largest in the world, and its foreign assets, most of which are held as official foreign exchange reserves, have significantly boosted not only Beijing's domestic decision-making autonomy but also its power and influence in the realm of international politics. The latter is most visible in Beijing's fast-growing government-to-government lending (especially in Africa and Southeast and Central Asia) and its influence over China's growing investments abroad by state banks and official agencies, which are highly sensitive to political signals from the Communist Party of China (CPC).[56]

The question remains, will China take on a more pronounced leadership role in global financial affairs — one commensurate with its actual financial power? Back in 2008, China seemed unwilling and unable to do so, as Gregory Chin and Eric Helleiner observed:

> Chinese leaders face ideological constraints in making the shift that would need to accompany Beijing's move toward a more overt and proactive international leadership role in international financial affairs. For the past three decades, Chinese Communist foreign policy has been guided by Deng Xiaoping's instruction that China should maintain a low profile in international affairs — that even if China one day comes to possess much greater power capabilities, as a socialist nation it must always side with the developing world. Clearly, in some ways China has already outgrown its self-proclaimed 'developing country' status. Nonetheless, Chinese leadership will have to engage in fundamental ideological innovation if it is to come up with a new policy line on why China must now take an international leadership role. This will take time unless Beijing is provoked to move faster by an unforeseen international crisis.[57]

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55. Ibid., p. 92.
56. Victor Shih, *Factions and Finance in China: Elite Conflict and Inflation* (New York: Cambridge University Press, 2007).

The global financial crisis of 2008, however, "eliminated the political consensus in support of the western financial model that had been in place since 1992."[58] This is true not only for the Chinese leadership but throughout Asia and the rest of the world. Yukio Hatoyama, who served briefly as Japan's Prime Minister in 2009-2010, and is now head of the opposition Democratic Party of Japan, attributed the crisis to "a way of economic thinking based on the idea that American-style free-market economics represents a universal and ideal economic order" and Washington's demand that all countries conform to that model. In response, Hatoyama predicts that "we are moving towards an era of multipolarity," which is unlikely to see "the permanence of the dollar as the key global currency."[59]

Rhetoric of this kind, calling for major revisions of the Washington Consensus and a restored global balance of power, assumes particular importance these days. As Xiaoyu Pu and I argued, periods of fading unipolarity lead to heightened sensitivity of even rhetorical deviations from status quo policies.[60] When the global distribution of power is multipolar or bipolar, balancing behavior is a conservative policy that functions to maintain system equilibrium and stability. In a unipolar world, however, balancing behavior is a radical, system-altering strategy. Therefore, the perception shifts: "unipolarity is the only system in which balancing is a revisionist, rather than status quo, policy.... Because balancing under unipolarity is a revisionist process, any state intent on restoring system equilibrium will be labeled an aggressor. This reality implies that balancing under unipolarity must be preceded by a delegitimation phase."[61] In this delegitimation phase, any challenger to the unipolar status quo will attempt to discredit the pre-

57. Chin and Helleiner, "China as a Creditor," p. 99.
58. Carl E. Walter and Fraser J. T. Howie, *Red Capitalism: The Fragile Foundation of China's Extraordinary Rise* (Singapore: Wiley, 2011), p. 213.
59. Yukio Hatoyama, "A New Path for Japan," *New York Times*, August 27, 2009. Quoted in Jonathan Kirshner, *American Power After the Financial Crisis* (Ithaca and London: Cornell University Press, 2014), p. 134.
60. Schweller and Pu, "After Unipolarity."
61. Ibid., pp. 45-46.

existing rules of the game, in order to lower the costs to a future balancing strategy.

The reality, however, has not lived up to the rhetoric. Contrary to concerns over China's imminent takeover of the U.S. role in the world, Beijing appears to have limited interest in, and capacity for, greater involvement in global governance. As Wang and French point out, "Beyond its 'core interests' of defending national sovereignty and territorial integrity (including Tibet and Taiwan) and securing access to energy and natural resources in other parts of the world (most notably in Africa and Latin America), the Chinese government has only played a limited and sporadic role in most areas of global governance."[62] Despite its financial and monetary power, China has refrained from offering an alternative to the Washington Consensus. As Daniel Drezner notes: "China's response has been to reject any notion of a Beijing Consensus.... Even if the global financial crisis bruised and battered the Washington Consensus, it did not break it — in part because the most viable proponent for an alternative pathway acted more like a responsible stakeholder of the status quo."[63] China has maintained a low profile in global governance, and there is little evidence, despite its growing economic power, that it will seek international leadership in the near future.

At this stage of the emerging power transition, China is still a regional power without significant global aspirations or power-projection capabilities. Within its region, China has assumed a spoiler role, delegitimizing the current order and seeking to displace the U.S. as the Asia-Pacific hegemon. At the global level, China is still in the role of partial supporter and shirker: Beijing is not yet ready to assume

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62. Hongying Wang and Erik French, "China's Participation in Global Governance from a Comparative Perspective." *Asia Policy* 15, no. 1 (January 2013), p. 91.
63. Daniel Drezner, "Perception, Misperception and Sensitivity: Chinese Economic Power and Preferences during the Great Recession," Paper presented at the conference on "China, the United States, and the East Asian Order: Managing Instability," School of International Studies, Peking University, Beijing, China, November 2013, p. 15.

a high profile or to take on costly responsibilities and obligations associated with global management.

Nationalism and Internal Balancing against China

According to structural realism, all states derive a general strategic interest from the structural condition of anarchy in counter-balancing the growing power of a neighboring rival — especially one that appears to be bidding for regional domination. Such systemic pressures, however, must be filtered through intervening variables at the unit level. This is why neoclassical realists stress the influence of domestic politics on states' ability and willingness to undertake balancing policies. Some unit-level factors assist balancing behaviors, others impede them.

The few studies that explicitly examine the impact of nationalism on balancing, for instance, find that the two phenomena complement each other. Several scholars go so far as to posit nationalism as a necessary condition for balancing behavior. Steve Chan, for instance, opines: "It is not difficult to imagine that whenever and wherever sovereignty and nationalism have receded (as in contemporary Western Europe) or have never taken root (as in international systems in the pre-modern era), the motivation for undertaking balancing behavior would be more muted if not entirely removed. Conversely, wherever nationalism and sovereignty still hold strong sway (such as in contemporary East Asia), balancing behavior should be more likely."[64]

Nationalism exerts profound effects on various pivotal aspects of international politics that are essential to the realist enterprise. Key for the present purposes is nationalism's role in extracting resources from society to enhance state power. Leaders use nationalism to mobilize public support for military preparation and sacrifices. Indeed, the theory that states purposefully foster nationalism to facilitate internal balancing may be generalized to apply "to any security competition that involves 'mass mobilization,' that is, requires of society a large-

64. Chan, *Looking for Balance*, p. 65.

scale financial, organizational, and industrial effort to produce a great military force of any kind, on sea or even in the air as well as on land."[65] Moreover, as Zoltán Búzás points out, "nationalism seems expedient for mitigating the domestic impediments to effective balancing. Through appeals to shared collective identity and common interests in the security of state and nation, nationalism can alleviate domestic causes of underbalancing, such as domestic fragmentation."[66]

Until very recently, Japanese military policy in response to the rising Chinese threat could be characterized as underbalancing, defined as a situation where threatened countries either: (1) fail to recognize a clear and present danger or, more typically, (2) simply do not react to it or, more typically still, (3) respond in paltry and imprudent ways.[67] Japan falls mostly into the third category. As Christopher Hughes noted in 2012, the reliance of Japan's grand strategy "on the United States has merely delayed addressing the long-term challenges of a rising China, Korean Peninsula instability, developments in East Asian regionalism, and a multipolarizing international system. Moreover, Japan's dependence on the United States is likely to be unsustainable in any case, as U.S. power progressively wanes in the Asia-Pacific region, thus only enhancing Japan's desperation that it has been constrained from fully articulating a complementary or alternative grand strategy."[68]

Meanwhile, China has been operating under the presumption of maritime military clashes, modernizing its equipment, bolstering its fleet of new lightweight warships, and preparing to launch its first

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65. Barry R. Posen, "Nationalism, the Mass Army, and Military Power," *International Security* 18, no. 2 (Fall 1993), pp. 122-123.
66. Búzás, "Nationalism and Balancing," p. 2. For underbalancing, see Randall L. Schweller, "Unanswered Threats: A Neoclassical Realist Theory of Underbalancing," *International Security* 29, no. 2 (Fall 2004), pp. 159-201; and Schweller, *Unanswered Threats: Political Constraints on the Balance of Power* (Princeton, N.J.: Princeton University Press, 2006).
67. Schweller, "Unanswered Threats," p. 159.
68. Christopher W. Hughes, "The Democratic Party of Japan's New (but Failing) Grand Security Strategy: From 'Reluctant Realism' to 'Resentful Realism'?" *The Journal of Japanese Studies* 38, no. 1 (Winter 2012), p. 139.

domestically built aircraft carrier in the early 2020s.[69] These are worrying developments for Japan. Though Tokyo increasingly fears that Beijing could achieve military superiority, Japan is saddled with a stagnating economy, making it difficult for the country to compete with China in a real arms race.[70]

Recently, however, there are signs that Japan is shifting from a restrained hedging posture to one — in accordance with the predictions of structural realism — that looks more like 'internal' balancing. The key domestic factor facilitating this shift in grand strategy is the resurgent nationalism of Japanese politics.[71] The advent since 2012 of Abe Shinzō, an overtly nationalist Liberal Democratic Party (LDP) Prime Minister, has seen Tokyo pursue a more assertive nationalist foreign policy that persistently stokes patriotic fervor, expresses hawkish pride in Japan's national strength, and argues that the country behaved no differently than any other colonial power during the last century. For almost seven decades, Japan's pacifist public opinion appeared as an immutable roadblock, obstructing the grander ambitions of policymakers who would otherwise push outward Japan's military role.[72] To override these anti-militaristic norms, the Abe administration has leaned on aggressive nationalism to garner domestic support for its

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69. The most recent Japanese White Paper notes with alarm China's expansion of military power, pointing out that China's defense budget has quadrupled in the past decade, reaching CNY 808.2 billion (about JPY 12.9 trillion) for fiscal 2014, up 12% from the previous year. Meanwhile, Japan's defense budget stood at JPY 4.78 trillion in fiscal 2014, an increase of 2.2 percent year-on-year from the JPY 4.68 trillion of the previous fiscal year. See Rajaram Panda, "Japan's Defense White Paper 2014 and Coping with the China 'Threat'," IPRIS Viewpoints, No. 150, August 2014. http://www.ipris.org/php/download.php?fid=797.
70. See the comments by Alexandra Sakaki in Rodion Ebbighausen, "Japan Concerned over China's 'Profoundly Dangerous' Acts," *Deutsche Welle (DW.DE)*, August 6, 2014. http://www.dw.de/japan-concerned-over-chinas-profoundly-dangerous-acts/a-17834009?maca=en-rss-en-all-1573-rdf.
71. See Yew Meng Lai, *Nationalism and Power Politics in Japan's Relations with China: A Neoclassical Realist Interpretation* (New York: Routledge, 2014).
72. See Paul Midford, *Rethinking Japanese Public Opinion and Security: From Pacifism to Realism?* (Stanford, Calif.: Stanford University Press, 2011).

systematic dismantlement of the post-war constraints on Japan's exercise of military power, including breaches in 2014 of the ban on the exercise of collective self-defense, in large part in reaction to Sino-Japanese tensions.[73] As pro-American conservative nationalists, Abe and his allies want Japan to become a more reliable ally of the United States by ending the era of pacifism and taking on more of the military responsibilities that the U.S. expects of Japan.

In addition to renascent Japanese nationalism, public opinion data suggests that a "new" nationalism is on the rise in South Korea, encouraging the country to adopt a more assertive posture and to play a more central role in East Asian affairs. According to the survey conducted by the Asan Institute for Policy Studies, South Koreans expect China to overtake the U.S. as the most influential country in the world within a decade. More interesting is just how confident South Koreans are in the Republic of Korea. Over the next ten years, they expect South Korea's influence to surpass that of Japan and even to rival that of Russia, requiring a structural reorganization of East Asia that gives Korea a more prominent role.[74] As Steven Denney and Karl Freidhoff point out, "The growing confidence among Koreans should be carefully watched, because as the confidence of the general population grows, the South Korean government will carry out policies that act on this confidence."[75]

Structural and Unit-level Barriers to External Balancing

The question remains, however, why has Japan not formed a tight defensive alliance with South Korea against China and, possibly, North Korea? South Korea and Japan are both threatened by a more powerful

73. Margarita Estévez-Abe, "Feeling Triumphalist in Tokyo: The Real Reasons Nationalism is Back in Japan," *Foreign Affairs* 93, no. 3 (May/June 2014), p. 165.
74. Steven Denney and Karl Freidhoff, "South Korea and a New Nationalism in an Era of Strength and Prosperity," *Center for Strategic and International Studies: PacNet*, No. 75, October 7, 2013, http://csis.org/files/publication/Pac1375_0.pdf.
75. Ibid.

and still growing regional rival, China, which neither can counterbalance solely by their own internal means. Both countries, of course, have a bilateral alliance with the United States, which is militarily stronger than China. An alliance with the U.S. may be enough to balance against China. That said, there has been wide recognition of emerging global multipolarity among Japan's political leaders, who not only perceive the decline of Japan and the U.S. relative to China but also strongly accept "the 'rise of the rest,' in the shape of India, a resurgent Russia, a stronger South Korea, and, further afield, Brazil and a more integrated European Union (EU)."[76] These changes in the external environment — the passing from U.S. unipolarity to a more evenly distributed mutipolar balance of power — provide powerful incentives for Japan and South Korea to aggregate their capabilities as a counterweight to China's growing military strength. Yet, there is no discernable movement in that direction. The reason resides in various domestic factors that diminish the attractiveness of certain alliances that would otherwise be made for purely strategic interests rooted in system structure.

Structurally, multipolarity (such as exists in the Asia-Pacific regional system) appears as an oligopoly, with a few sellers (or buyers) collaborating to set the price. Behaviorally, however, it tends toward duopoly, that is, the few are often only two. Currently, the two consist of the United States on one side, China on the other. If the U.S. retrenches from the region, the two will be Japan and China. The scarcity of alternatives contradicts the conventional wisdom of the flexibility of alliances in a multipolar system. The point being that we should not confuse the apparent alliance flexibility that derives from the wealth of physical alternatives that are, in theory, available under a multipolar structure with the actual alternatives that are politically available to states within the system given their particular interests and affinities.[77]

This dearth of actual alternatives under multipolarity is essen-

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76. Hughes, "The Democratic Party of Japan's New (but Failing) Grand Security Strategy," p. 113.
77. See Glenn H. Snyder, *Alliance Politics* (Ithaca and London: Cornell University Press, 1997), pp. 148-49.

tially a function of what are called 'alliance handicaps,' that is, various impediments — constraints rooted in ideologies, personal rivalries, national hatreds, ongoing territorial disputes — to alignments that would otherwise be forged in support of short-run strategic interests. Fear of entrapment in a costly and unwanted war by virtue of an alliance tie can also impose considerable restrictions on the choice of alliance partners and, by extension, on the flexibility of alliances in a multipolar system.[78] These various inhibitions that make alliance alternatives, in practice, scarce are important because, for a multipolar balance-of-power system to operate properly, states cannot be so limited by alliance handicaps that they are unable to align and realign in response to shifts in power that threaten their security.[79]

To summarize, the greater flexibility of alliances and fluidity of their patterns under multipolarity is more apparent in theory than in practice. Various alliance handicaps at the domestic level prevent countries from obeying the structural-systemic imperative to pool their resources against a dangerous shared threat. This is certainly the case in East Asia, where nationalism, maritime and border disputes, fears of entrapment (e.g., with Taiwan in a war against China, with South Korea in a war against North Korea, etc.), competing ideologies, and historical legacies prevent virtually any and all possible combinations of China's neighbors from forming a coalition against it.

This regional dynamic is quite unique in history. Multipolar systems under conditions of high threat are supposed to undergo polarization into two armed camps, each composed of several states. Alliance handicaps in the Asia-Pacific region, however, prevent this dynamic. Instead, security agreements and commitments in the Asia-Pacific region will remain mostly bilateral, not multilateral, in nature. Just as important, most actors in Asia will continue to exhibit a tendency toward ambiguity. Members of the Association of Southeast Asian

78. See Snyder, *Alliance Politics*; Zeev Maoz, *Paradoxes of War: On the Art of National Self-Entrapment* (Boston, Mass.: Unwin Hymann, 1990), chap. 7.
79. Robert Jervis, "From Balance to Concert: A Study of International Security Cooperation," in Kenneth A. Oye (ed.), *Cooperation Under Anarchy* (Princeton, N.J.: Princeton University Press, 1986), p. 60.

Nations (ASEAN) generally indicate that they do not want to choose between the United States and China. As Ja Ian Chong and Todd Hall point out:

> Ambivalence over security commitments among regional actors in Asia reflects simultaneous desires to benefit from increasing economic integration with China as well as to address apprehensions about China's long-term trajectory as a major power. Such "hedging" may inadvertently encourage the PRC and the United States to question the long-term reliability of partnerships with Southeast Asia, and can feed the impression that the region is a battleground for influence.[80]

The ambiguity and disparate mix of bilateral security relationships in East Asia can be expected to undermine regional stability even if they do not result in regional war.

Domestic Politics and Liberal Cosmopolitanism, Not Nationalism

To this point, I have argued that China's assertive nationalism will be high in two opposite scenarios, China's rising and China's stalling. This begs the question, if China's nationalism does not vary according to some factors that we can manage, why should we care about it? What explains when nationalism is weak? What makes nationalism vary (in an explicit way)? In keeping with the concerns of the present work, I will focus on domestic politics to answer these questions. But rather than offering a purely "inside-out" explanation, I put forth, instead, what is known as a "second-image" reverse explanation ("outside-inside-outside"). Let me explain.

The intentions and goals of states are largely, though not entirely, a function of second-image variables. As discussed, domestic politics can explain how nationalist urges sometimes compel the state to accumulate power in a way that overrides prudent foreign policy, resulting in imperial overstretch and self-encirclement. This is a decidedly realist version of domestic politics. The liberal perspective

80. Chong and Hall, "The Lessons of 1914 for East Asia Today," p. 25.

offers a more positive role for domestic politics in a state's foreign policy. Liberals point out that second-image causes are at work when domestic economic interests quell passions that seek to gin up nasty international politics; when business interests tip the balance of forces within their respective countries toward those in favor of peaceful conflict resolution. This is the familiar "economic interdependence" argument rooted in nineteenth-century Manchester Liberalism about how international economic relations affect domestic politics, which, in turn, recast national interests in a more pacific light.

These peaceful "political" effects of trade can be seen, somewhat ironically, in Beijing's avowed reluctance to mix "politics" with economics in its relations with other countries. At the height of the anti-Japanese riots in 2005, for instance, as nationalist Chinese demonstrators were calling for a boycott of Japanese products and demanding that the Ministry of Railways not import Japanese bullet-train technology, Bo Xilai, the-then Minister of Commerce, admonished the rioters for linking economic issues with political and diplomatic ones. In a globalized economy, he argued, a boycott of Japanese products would wind up hurting China: "Boycotting products [of another country] will be detrimental to the interests of the producers and consumers of both countries.... This will hurt our cooperation and [economic] development with other countries."[81] Contrary to its claim of decoupling politics from economics, however, Beijing did just the opposite in this case: the Party emphasized the country's gains from trade to defuse a malicious and vindictive political atmosphere. More recently, an op-ed in *China Daily* similarly warned in August 2012: "Blindly boycotting Japanese goods by giving way to sentiments could harm our own industries and exports, and reduce employment."[82] Indeed, Japan remains China's largest source of imports and foreign investment; take away these Japanese inputs, and China's exports collapse.

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81. Quoted in Lam, "As China's Foreign Policy Hardens, It is Beijing Versus All," p. 1
82. Quoted in Richard Katz, "Mutual Assured Production: Why Trade Will Limit Conflict Between China and Japan," *Foreign Affairs* 92, no. 4 (July/August 2013), p. 24.

Thus, if the theory of economic interdependence is correct, the logic of "mutual assured production" will continue to limit conflict between China and Japan.[83]

By affecting the interests, power, and coalitions that form in domestic politics, economic interdependence exerts a significant influence on the internal politics, and hence on the foreign policies and definition of interests, of countries both large and small. This is what IR theorists call a "second-image reversed" version of the relationship between internal and external politics — one that is not simply an inside-out view but rather follows an outside-inside-out logic.[84] In his influential work, *National Power and the Structure of Foreign Trade*, Albert Hirschman described such a process in terms of the political influence effect of trade. Simply put, large and growing trade relations between a big and small state will eventually change the way the smaller state conceives of its national interests, which will gradually over time converge with those of its larger partner. Business groups, Hirschman observed, "will exert a powerful influence in favor of a 'friendly' attitude toward the state" upon which their economic interests depend.[85] On precisely how trade relations bring about foreign policy convergence, Jonathan Kirshner writes, "when these relationships are sustained, and especially when they involve expanding sectors of the economy, over time the reshuffling of power, interests, and incentives among firms, sectors, and political coalitions will increasingly reflect these new realities. Those that favor warm relations will be empowered, and the trajectory of the 'national interest' remolded."[86] Of course, the warming effects of economic interdependence do not

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83. Ibid.
84. Peter Gourevitch, "The Second Image Reversed: The International Sources of Domestic Politics," *International Organization* 32, no. 4 (Autumn 1978), pp. 881-912
85. Albert O. Hirschman, *National Power and the Structure of Foreign Trade* (Berkeley: University of California Press, 1980/1945), p. 29.
86. Jonathan Kirshner, "The Consequences of China's Economic Rise for Sino-U.S. Relations: Rivalry, Political Conflict, and (Not) War," in Robert S. Ross and Zhu Feng (eds.), *China's Ascent: Power, Security, and the Future of International Politics* (Ithaca and London: Cornell University Press, 2008), p. 242.

always triumph, as World War I infamously confirmed. But they do raise the costs of letting emotions steer the ship of state.

A Cold Peace of Clashing Nationalisms

As its oil platforms drill in disputed waters, China no longer speaks the language of "quiet rise." Rather, Xi Jinping's self-assured foreign policy stimulates fear in Vietnam, South Korea, Japan, Taiwan, the Philippines, and the United States. Nationalism is on the rise in the Asia-Pacific region. It will engender discourses and practices within the rising Chinese challenger that work to undermine the legitimacy of the established order. This will be true whether China's rise continues or stalls. Japan's nationalist turn, like China's new assertiveness, will make peaceful compromise in Asia more difficult. Mounting nationalism will also promote internal balancing among Beijing's neighbors but will, along with other alliance handicaps, inhibit their ability and desire to align with each other against China.

A cold peace will likely simmer within the region but not reach a boiling point. Outside the remote possibility of land warfare on the Korean peninsula, East Asia's maritime geography encourages naval competition but militates against land invasions and occupations. Because of what John Mearsheimer calls the "stopping power of water"[87] and the fact that East Asia is a seascape, where "the spaces between the principal nodes of population are overwhelmingly maritime,"[88] the region will avoid the kind of great military conflagrations that took place on dry land in the twentieth century even as nationalism continues to fuel tensions and disorder. In this leaderless but contested region of the world, threats are much more likely to be cold than hot; danger will come less frequently in the form of shooting wars among the regional powers over, say, disputed islands than diffuse disagree-

87. John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: Norton, 2001), pp. 114-128.
88. Robert D. Kaplan, *Asia's Cauldron: The South China Sea and the End of a Stable Pacific* (New York: Random House, 2014), p. 5.

ments over geopolitical, monetary, trade, and environmental issues. Problems and crises will arise more frequently and, when they do, will be resolved less cooperatively.

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From Hegemony to the Balance of Power: The Rise of China and American Grand Strategy in East Asia

G. John Ikenberry

This essay looks at America's approach to order in East Asia. I argue that the United States has pursued a remarkably consistent grand strategy toward East Asia. It is built around American power, interests, and ideals. In this sense, it is not best seen as simply a geopolitical strategy of hegemony or balance of power. Rather, it is infused with distinctive American ideas about order, identity, and community. It is a synthesis of realist and liberal thinking. It has guided America's relationship with East Asia during the long-era of U.S. hegemonic leadership, and it continues to inform today's efforts by Washington to remain tied to East Asia and shape the terms of China's rise. The United States seeks a regional order that is open and organized around widely-shared rules and principles of politics and economics. Chinese power and leadership will grow within the region. The American goal is not to prevent this growth in Chinese power and leadership, but to make sure it is not used to turn the region into a closed, illiberal Chinese sphere of influence. Overall, there are reasons for both the United States and China to restrain their geopolitical rivalry. They will surely struggle and compete, seeking to be the leading state in the region. But American efforts to contain China and China's efforts to push the United States out of the region will both be self-defeating strategies. The most optimistic vision of a peaceful rise of China and a managed U.S.-Chinese rivalry in Asia is one in which Beijing comes to see that the American-led liberal international order can help facilitate China's peaceful rise — and not stand as an obstacle to it.

Keywords: Hegemony, balance of power, American grand strategy, Obama pivot, East Asia

Introduction

For over half a century, the United States has been the leading great power within the Asia-Pacific. Through trade and alliance partnership, the United States has played a critical role in shaping the economic and geopolitical contours of the region. It fought wars in Northeast and Southeast Asia, established security ties with Japan, South Korea, and other countries. It championed transregional open trade. In the aftermath of the Cold War, the United States redefined its alliances, putting this "hub and spoke" system at the service of wider regional order. Beginning in the 1980s, the United States also began to more actively engage China, which was itself beginning a momentous turn toward market liberalization and trade-oriented development. Through these decades, countries such as South Korea, the Philippines, and Thailand threw off authoritarian rule and pursued democratic transitions. In the last decade, East Asia has emerged as the most dynamic and fast growing region in the world.

The American-led order in East Asia provided the foundation for the cascade of political and economic transitions that have marked the region. But at the same time, these great transitions have served to transform — and undermine — America's old relationship with the region. If the old order in East Asia was "partially hegemonic," the emerging order in East Asia is more multipolar and shaped by balance of power impulses. With the rise of China, the United States is no longer the only major great power in the region. The region is in transition to a new sort of order, although the specific features and organizing logic remains unclear.

Indeed, the rise of China is perhaps the defining drama of East Asia and the global order. The extraordinary growth of the Chinese economy — and its active diplomacy and military buildup — is already transforming East Asia. Future decades will almost certainly see further increases in Chinese power and further expansion of its influence on the world stage. This is a power transition with far-reaching implications for America's strategic interests and global position. How the United States responds to growing Chinese power is — and

will increasingly be — a seminal question of American grand strategy in the years ahead.[1]

This essay looks at America's approach to order in East Asia and asks a series of questions. What has been its vision of East Asian order? What has been its global and regional grand strategy? How is the rise of China transforming the region and altering America's role within it? Can the United States and China find a way to live together in East Asia? If the region is moving away from an American-led hegemonic order, what will a post-hegemonic East Asia look like? Is the Obama administration's "pivot" to Asia a shift away from the older American grand strategy or a continuation of a longer-standing grand strategy toward China, allies, and the region?

In what follows, I argue that the United States has pursued a remarkably consistent grand strategy toward East Asia. It is built around American power, interests, and ideals. In this sense, it is not best seen as simply a geopolitical strategy of hegemony or balance of power. Rather, it is infused with distinctive American ideas about order, identity, and community. It is a synthesis of realist and liberal thinking. It has guided America's relationship with East Asia during

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1. I depict East Asia as undergoing a transition from a loosely "hegemonic" order to one with increasingly "balance of power" characteristics. These are broad terms that scholars use to illuminate the logic and character of regional and global orders. Hegemony refers to order which is organized around and sustained by the leadership of a powerful state. One state dominates the order across economic, political, and security domains. For the classic statement of the theory of hegemonic order, see Robert Gilpin, *War and Change in World Politics* (New York: Cambridge University Press, 1981). For a recent reappraisal of the theory of hegemonic order, see G. John Ikenberry (ed.), *Power, Order, and Change in World Politics* (New York: Cambridge University Press, 2004). Balance of power refers to order built around competition and counterbalancing between two or more major states. The theory and history of balance of power orders is the subject of a vast scholarly literature. See Michael Sheehan, *The Balance of Power: History and Theory* (London: Routledge, 1996); Richard Little, *The Balance of Power in International Relations: Metaphors, Myths and Models* (New York: Cambridge University Press, 2007); Stuart J. Kaufman, Richard Little, and William C. Wohlforth (eds.), *The Balance of Power in World History* (New York: Palgrave, 2007).

the long-era of U.S. hegemonic leadership, and it continues to inform today's efforts by Washington to remain tied to East Asia and shape the terms of China's rise. The United States seeks a regional order that is open and organized around widely-shared rules and principles of politics and economics. Chinese power and leadership will grow within the region. The American goal is not to prevent this growth in Chinese power and leadership, but to make sure it is not used to turn the region into a closed, illiberal Chinese sphere of influence.

The region is moving to a post-hegemonic order that is increasingly defined by balance of power calculations and logics. Great power politics is returning. But there are constraints on how far the region will move to a more volatile setting in which security rivalry and Cold War geopolitics will rule. The American grand strategy in East Asia seeks, in part, to provide a counterweight to a rising China. But the key elements of this strategy are not simply power balancing and alliance building. The United States seeks to pull China into the liberal international order at the same time, that is, seeks to restrain China's power and influence in the region.

I argue that there are reasons for both the United States and China to restrain their geopolitical rivalry. They will surely struggle and compete, seeking to be the leading state in the region. But American efforts to contain China and China's efforts to push the United States out of the region will both be self-defeating strategies. The most optimistic vision of a peaceful rise of China and a managed U.S.-Chinese rivalry in Asia is one in which Beijing comes to see that the American-led liberal international order can help facilitate China's peaceful rise — and not stand as an obstacle to it.

American Global Order Building

United States grand strategy toward East Asia has been part of a larger global order building project, unfolding over the last sixty-five years. It is a fusion of realist and liberal impulses. In the early postwar decades, under the shadow of the Cold War, the United States began

building governing arrangements within the West and — later on — within the wider global system. It was a vision of order tied together by partnerships, institutions, and grand bargains. It was built around multilayered agreements that served to open markets, bind democracies and anti-communist authoritarian regimes together, and create a far-flung security community. Between 1944 and the early 1950s, the United States undertook extraordinary efforts to build regional and global order around institutionalized partnerships. The United Nations, Bretton Woods, the General Agreement on Tariffs and Trade, NATO, and the U.S.-Japan alliance were launched. The United States helped to rebuild the economies of Germany and Japan — and to integrate them into the emerging Western system. With the Atlantic Charter, the UN Charter, and the Universal Declaration of Human Rights, the United States also articulated more general global ideas about rights, protections, and progressive change.[2]

The core idea of this postwar international order was that the United States would need to actively shape its security environment, creating a stable, open, and friendly geopolitical space across Europe and Asia. This required making commitments, establishing institutions, forging partnerships, acquiring clients, and providing liberal hegemonic leadership. The United States would seek to shape its environment, using its power advantages to create new facts on the ground. It was to be a liberal international order, organized around trade and multilateral cooperation. In the background, an array of alliances and security relationships across Europe and Asia would provide the stable underpinning of this open and loosely rule-oriented system.[3]

Three objectives have been the core of this postwar grand strategy

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2. This vision and order building project is explored in G. John Ikenberry, *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order* (Princeton: Princeton University Press, 2011); Stewart Patrick, *The Best Laid Plans: The Origins of American Multilateralism and the Dawn of the Cold War* (New York: Roman & Littlefield, 2009).
3. See Joseph S. Nye, Jr., *Bound to Lead: The Changing Nature of American Power* (New York: Basic Books, 1990); Robert Art, *A Grand Strategy for America* (Ithaca: Cornell University Press, 2003).

of order building. The United States has sought to manage its international environment to reduce great power threats to its national security; to encourage the emergence of a liberal economic order to expand the global economy and facilitate domestic prosperity; and to work with other states to establish a global institutional order to facilitate international cooperation and provide a congenial setting for the exercise of American leadership.[4] Rather than staying confined within its hemisphere, the United States projected power and tied itself to states across Eurasia. This is a grand strategy that might best be described, following Joseph Nye, as "deep engagement."[5]

The first objective — reducing great power threats to national security — was pursued through a strategy to alliance building and cooperative security. The grand strategy was to remain connected in close alliance with other democratic countries. NATO and the U.S.-Japan alliance have been at the core of this alliance system. In a departure from an earlier era of no "entangling alliances," the U.S. would bind itself to other major non-Communist states to create a global security system. Such a system would ensure that the democratic great powers would not go back to the dangerous game of strategic rivalry and power politics. It helped, of course, to have an emerging Cold War to generate this cooperative security arrangement. But a security relationship between the United States and its allies was implicit in other elements of liberal international order. A cooperative security order — embodied in formal alliance institutions — ensured that the power of the United States would be rendered more predictable. Power would be caged in institutions thereby making American power more reliable and connected to Europe and East Asia.

The second objective — creating a liberal economic order — was manifest in a commit to trade and economic openness across the

4. For a discussion of this long-standing American grand strategy, see Stephen G. Brooks, G. John Ikenberry, and William C. Wohlforth, "Don't Come Home America: The Case against Retrenchment," *International Security* 37, no. 3 (Winter 2012-2013), pp. 7-51.
5. Joseph S. Nye, Jr., "East Asian Security: The Case for Deep Engagement," *Foreign Affairs* 74, no. 4 (July/August 1995), pp. 90-102.

world's regions. That is, capitalism would be organized internationally and not along national, regional, or imperial lines. In many ways, this is what World War II was fought over. Germany and Japan each built their states around the military domination of their respective regions, Soviet Russia was an imperial continental power, and Great Britain had the imperial preference system. American interests were deeply committed to an open world economy — and an open world economy would tie together friends and allies.

The third objective — building an institutionalized order — was reflected in the ambitious agenda of multilateral cooperation. This idea was seen most clearly in the efforts to create the Bretton Woods institutions. Governments would need to play a more direct supervisory role in stabilizing and managing economic order. New forms of intergovernmental cooperation would need to be invented. The democratic countries would enmesh themselves in a dense array of intergovernmental networks and loose rule-based institutional relationships. In doing so, the United States committed itself to exercising power through these regional and global institutions. This was a great innovation in international order. The United States and its partners would create permanent governance institutions — ones that they themselves would dominate — to provide ongoing streams of cooperation needed to managing growing realms of complex interdependence.[6]

In these various ways, the United States has laced its grand strategy with both realist and liberal ideas. It has been realist most directly in its Cold War emphasis on containment of the Soviet Union and global communism. It has been realist in its focus on building "centers of

6. Various scholars have explored the deeper and longer-term evolution of the modern global order. For a focus on the rise of ideas about global governance and multilateral institutions, see Mark Mazower, *Governing the World: The History of an Idea* (London: Allen Lane, 2012). For the rise of American liberal internationalism, see Tony Smith, *America's Mission: The United States and the Worldwide Struggle for Democracy in the Twentieth Century* (Princeton: Princeton University Press, 1994); Michael Mandlebaum, *The Ideas that Conquered the World: Peace, Democracy, and Free Markets in the Twenty-first Century* (New York: Public Affairs, 2002).

power" that serve as counterweights to rival great powers or rival hegemonic projects. It has been realist in its focus on forging alliances and building capacities to project military force. But it has also been liberal in its focus on organizing international order around open trade and institutionalized cooperation among the liberal democracies. It has been liberal in its focus on encouraging a worldwide movement toward democracy and Western-style modernization. It has sought to secure its fundamental interests within a liberal international order, organized around openness and rule-based relations. Indeed, it is this synthesis of realist and liberal ideas and strategies that market the American grand strategic orientation.

America's strategy of deep engagement aimed not just to protect and advance the country's national interests but to also shape the overall international system. In this way, it was a "milieu" oriented grand strategy rather than a "positional" grand strategy. A positional grand strategy is one in which a great power seeks to counter, undercut, contain, and limit the power and threats of a specific challenger state or group of states. A milieu grand strategy is one in which a great power does not target a specific state but seeks to shape the international environment to make it congenial with its long-term security and interests.[7] In the case of the United States, this has involved building the "infrastructure" of international cooperation, promoting trade and democracy, and establishing partnerships, allies, and client states that reinforce stability and liberal order.

American Grand Strategy in East Asia

This grand strategy has informed America's long-term and multifaceted engagement with East Asia. The most direct steps were taken immediately after World War II with the occupation and rebuilding of Japan. The occupation of Japan began with an emphasis on the introduction of democracy and market reform. But as the Cold War took off, the

7. I make this distinction in Ikenberry, *Liberal Leviathan*.

American emphasis shifted to policies that fostered economic growth and political stability. The failures of initial economic reforms, concerns about political instability, and the victory of the Communists in China in 1949 all contributed to this shift. In the following years, the United State turned its efforts to encouraging Japanese economic growth and integration into the world economy. American officials in the Eisenhower, Kennedy, and Johnson administration took steps to encourage Japanese trade, fostering new commercial ties. The idea of was to pull Tokyo outward and embed it within the wider Western world political-economy. Along the way, the United States also forged a security relationship with Japan.[8]

Over the decades, the United States established a partial hegemonic order in East Asia. It has been based on bilateral security pacts and trade-oriented economies. The "hub and spoke" system tied the United States to Japan, South Korea, and countries in Southeast Asia. The United States made alliance commitments to countries throughout the region and, in turn, these countries traded and affiliated with the United States. Security and economies have gone hand-in-hand. A sort of grand bargain has existed behind the scenes. The United States provides security, open markets, and working political relations with its East Asian partners, and in return these countries agree to affiliate with the United States, manifest in trade, alliance, and political partnerships.[9]

The bilateral alliance system has been more than defense arrange-

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8. For accounts of the forging of U.S.-Japanese alliance ties and the building of postwar order in East Asia, see Richard Samuels, *Securing Japan: Tokyo's Grand Strategy and the Future of East Asia* (Ithaca: Cornell University Press, 2007); Michael Green, *Japan's Reluctant Realism: Foreign Policy Challenges in an Era of Uncertain Power* (New York: Palgrave Macmillan, 2001); Kenneth Pyle, *The Japanese Question: Power and Purpose in a New Era* (Washington, D.C.: AEI Press, 1996).
9. For depictions of this American hegemonic order in East Asia, see Michael Mastanduno, "Incomplete Hegemony: The United States and Security Order in Asia," in Muthiah Alagappa (ed.), *Asian Security Order: Instrumental and Normative Features* (Stanford: Stanford University Press, 2003), pp. 141-70; G. John Ikenberry, "American Hegemony and East Asia Order," *Australian Journal of International Affairs* 58, no. 3 (September 2004), pp. 353-367.

ments. They have also served as political architecture for the wider order. Through this system, American power has been linked and rendered more predictable, while Japan has been able to reassure its neighbors, integrate into the region, and pioneer a civilian pathway to growth and influence. In effect, in the postwar era, if Japan was the Germany of East Asia, the United States played the role of France. Just as the Franco-Germany partnership was the linchpin for the reintegration of Germany into Europe, the U.S.-Japan alliance was the linchpin for Japan's reentry into Asia. Importantly, China's unspoken support for the U.S.-Japan alliance over the decades reflects the fact that these stabilizing and reassurance functions of the alliance were widely appreciated in the region.

From the early postwar decades onward, the bilateral system of security partnerships has been intertwined with the evolution of politics and economics within the region. Countries in the wider region, such as South Korea, Taiwan, the Philippines, and Thailand, were able to make democratic transitions and pursue trade-oriented development strategies. At moments along the way, the American security partnerships with these countries were useful in pushing and pulling these countries toward more open democratic and capitalist orientations. Open trade with these countries helped reinforce the hub-and-spoke security system, and the hub-and-spoke security system helped encourage and support open trade and investment. The export-oriented development strategies of these countries — Japan and the Asian "tigers" — have depended on America's willingness and capacity to accept imports and sustain trade deficits, which the alliance ties made politically tolerable.

In East Asia, America's grand strategy of deep engagement has been strikingly on display. The United States has tied itself to the region, creating stable political and economic partnerships. The project on American power into the region has been premised on Washington's willingness to shoulder defense burdens and work closely with junior allies. Long-term political relations have been built. Both the United States and countries in the region have organized their security and economic preferences around this American-led hege-

monic order. The order itself has provided a framework within which countries have made strategic decisions to open up, liberalize, and pursue democratic transitions.

The United States made a long-lasting strategic decision to reduce security challenges from East Asia by being inside of East Asia rather than "off shore." It decided to try to shape and reshape the region rather than remain safe on the other side of the ocean. The United States saw its interests advanced through the building of a regional political order that would facilitate open trade and investment. Reflecting the liberal vision, American officials have consistently seen trade and investment as a force that would catalyze and reinforce liberal democratic political change. The institutional arrangements in the region also support and reinforce economic integration and political solidarity. Fundamentally, the United States has sought to shape East Asia in a way that would undercut the rise of a hostile hegemonic challenger. It has tried to do this by projecting power into the region and by creating frameworks of institutional cooperation — bilateral and multilateral — that tie Japan and other countries in the region to the United States. For over half a century, this grand strategic orientation has been remarkably stable, bipartisan, and successful.

From Hegemony to the Balance of Power

This old U.S.-led regional system is now giving way to something new. Fundamentally, this transformation is being driven by the rise of China and the global power transitions currently underway. After two decades of rapid economic growth, China is increasingly in a position to project regional and global power and influence. Countries in the region that previously have had the United States as their leading trade partner now find China in that position. Old American allies — such as Japan, South Korea, and Australia — are now economically tied to China, even as they remain security partnerships with the United States. China's massive growth in economic capacity and wealth is providing a platform for a rapid buildup and moderniza-

tion of its military power. It is also pursuing an expanding agenda of regional and global diplomacy. The United States, in the meantime, has struggled through a period of economic downturn and weakness that has put pressure on its global hegemonic capacities.

Out of these shifts, East Asia is undergoing a transition that, at the broadest level, might be described as a movement from a hegemonic logic to a balance of power logic. In the old hegemonic order, China was largely on the outside. During most of the Cold War, it was relatively weak and peripheral. But today, the lines of authority and power are shifting, and the hegemonic order is eroding — or at least it is being supplemented and complicated by other more traditional balance of power dynamics.[10]

Indeed, the shift underway in the region might best be seen as a double shift. First, there is a return to more explicit balancing calculations and logics. Great power politics has returned to the region. The region is returning to balance in the literal sense that the "oversized" American presence in the region is being reduced by the growing presence of China. This is a "return to balance" in the sense that there is more than one major great power in the region. The United States now has a great power competitor. China is a rising power that is making new geopolitical claims in the region and seeking to establish itself as a regional leader. This development is creating more thinking within the capitals of the region about power balance, alliance commitment, counter-weights, and great power politics.[11]

Second, there is an expansion of the geopolitical playing field for regional alliance and great power politics. East Asia is no longer a fuller-contained region or sub-region. Increasingly, it is Asia or the

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10. For surveys of the shifting logics of order in East Asia, see Evelyn Goh, *The Struggle for Order: Hegemony, Hierarchy, and Transition in Post-Cold War East Asia* (Oxford: Oxford University Press, 2013); Aaron Friedberg, *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia* (New York: Norton, 2012); David Shambaugh (ed.), *Tangled Titans: The United States and China* (New York: Rowman & Littlefield, 2012).
11. See Steve Chan, *Looking for Balance: China, the United States, and Power Balancing in East Asia* (Stanford: Stanford University Press, 2012).

Asia-Pacific that is the relevant geographic expanse for politics and economics. India, Australia, and the United States are all in the region. It is Asia — not East Asia — that defines the region. The East Asia Summit is increasingly the diplomatic body that fully encompasses that states that are relevant to regional governance.

Out of these developments and shift, it is easy to see why observers are worried about a full "return" to balance of power politics and great power rivalry. There are more states that are relevant to the maintenance of stable order. The distribution of power is shifting, which creates worries, insecurity, and new possibilities for miscalculations. There is more competition — either bipolar competition between the United States and China or a wider multipolar balance of power dynamic. In a competitive balancing of power system, the "problems of anarchy" threaten to return. These are problems of arms racing, security dilemma-driven conflict, risk-taking, and the possibility of war. If the region truly is shifting from a U.S.-led hegemonic order to a more free-wheeling balancing of power order, the dangers will no doubt mount.

There are several steps along the way to this sort of full-fledged realist-style multipolar balance of power order. The first step in the return to multipolarity is simply the diffusion of power from the U.S. to other great powers. The region is populated by more capable states. Obviously, this is happening, most dramatically in the case of China. But, more generally, there is a rise within "greater Asia" of a group of major states, including India, Australia, and South Korea, that together with Japan and China, are increasingly key players in regional economics and politics.

Beyond this diffusion of power from the United States to a group of prominent regional states, the next step in a return to multipolarity would be the rise of new "poles." This is not just the rise of a group of regional great powers. It entails the rise of states that are large and capable regional poles. They would need to have their own attractions as hubs for security, economics, and political relations. China has begun to take on some of these aspects of a geopolitical "pole." But the other states in the region do not yet have semi-independent

security and economic centers of gravity. The final step toward a full-scale balance of power regional order would be the rise of great power security competition. This is what many observers have in mind when they talk about a return to multipolarity. To get to this point, the region will need to move through the earlier steps — the diffusion of power, the rise of independent great powers, and the emergence of competing "poles." But after these steps, the region would need to go further and see these rising and competing poles begin to engage in arms racing and security rivalry. In a classic multipolar system of security competition, three or four states would emerge — as they did in Europe in various eras — and find themselves locked in military arms competition and security dilemma-driven geopolitical conflict.[12]

Looking at Asia today, there clearly is some diffusion of power away from the United States to China and to a lesser extent to other middle-states in the region. But the region has not yet moved toward a full-scale multipolar competitive great power order. The most important reason that a full-scale balance of power order has not emerged is that, except for China, the emerging middle powers of the region are liberal capitalist states with ties to the United States. The return of balancing calculations and logic to the region are almost entirely focused on China and its shifting relations with the United States and its partners. Or to put the argument more as a proposition, to the extent that the countries in the region continue to tie themselves to the United States for security protection, the region will not devolve into a classic multipolar order.

The Obama Administration Pivot to Asia

It is in the context of this shift in the region — from a partial hegemonic order to a partial balance of power order — that American

12. For discussions of polarity, see G. John Ikenberry, Michael Mastanduno, and William Wohlforth (eds.), *International Relations Theory and the Consequences of Unipolarity* (Cambridge: Cambridge University Press, 2011).

grand strategy and the "pivot" to Asia can be understood. In an echo of past administrations, the Obama administration's strategy is built on both realist and liberal logics. It is a strategy of engagement of China, reassurance of allies, and regional institution building. It is a strategy that seeks to both "enmesh" China in the global and regional liberal order, and create counterweights and soft balancing coalitions that restrain a rising China. It is a vision of Asia in which American-friendly economic, political, and security institutions both integrate and restrain China. It is a strategy that makes a grand geopolitical bet: that the U.S.-led order — built on both realist and liberal foundations — is stronger and more robust than anything that China can do on the other side.[13]

These features of current American policy toward East Asia draw on the long tradition of postwar grand strategy of deep engagement. The United States seeks to keep its alliance system deeply rooted in the region. This means making efforts to reassure allies and find ways to convey long-term defense commitments. At the same time, the United States also is seeking to build solidarity with its allies around their shared identities as liberal, democratic, and capitalist countries. These middle states in Asia might be worried about the rise of China regardless of their domestic regime type, and one sees in the case of Vietnam. But the vast majority of these middle states in Asia — not least Japan, South Korea, Australia, and India — are liberal democratic. And so the United States seeks to buttress security partnership with appeals to common values and traditions. The United States may not be fully hegemonic in the years ahead, but the American strategy seeks to continue to be deeply engaged in the region — drawn into the region by economic, security, and political-ideational affiliations.

In its relationship with China, the United States is simultaneously

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13. For official statements describing the Obama administration's strategic pivot, see President Obama's speech to the Australian parliament, November 17, 2011; Secretary of State Hillary Clinton, "America's Pacific Century," *Foreign Policy Magazine*, October 11, 2011. See also Jeffrey A. Bader, *Obama and China's Rise: An Insider's Account of America's Asia Strategy* (Washington, D.C.: The Brookings Institution, 2012).

seeking to tie China to regional and global rules and institutions, and also creating counterweights that serve to restrain China's project of power and influence.[14] The liberal internationalist part of this strategy involves efforts to encourage Chinese participation in organizations such as the World Trade Organization and the United Nations. The idea is to try to draw China into the liberal international order. A China that is heavily tied to the outside world — through trade, regional cooperation, and functional problem solving — will be less eager and willing to oppose and disrupt the existing global order. This is the vision of China as a global "stakeholder."

The American liberal grand strategic goal is to refurbish and deepen the global system of liberal-oriented multilateralism and governance. The more robust this liberal international order is, the harder it will be for China to offer a serious challenge to it. To the extent the United States and its liberal democratic partners are stable, prosperous, and cooperative, the more difficult it will be for Beijing to offer an attractive alternative model for the world. The United States is, in effect, drawing on the "assets" it has been accumulating over the last half century as it has led and managed the postwar liberal international order. Today, it seeks to strengthen and expand that order, thereby creating "realities" that China will need to adjust to — and find incentives to embrace.[15]

At the same time, the United States does see China today in the way it has seen potential regional hegemonic rivals in the past. It is worried that China could amass sufficient wealth and military power to fundamentally alter East Asia. The ultimate danger is the growth of a Chinese rival that would endeavor to drive the United States out of the region and project illiberal ideas and policies outward into the world. A Chinese-dominated East Asia would be one that is more statist, closed, mercantilist, and hostile to American interests. So the United States is inevitably drawn to the task of building restraints

14. See Robert Manning, "US Counterbalancing China, Not Containing," *East Asian Forum* (July 9, 2013).
15. See Warren I. Cohen, *America's Response to China: A History of Sino-American Relations* (New York: Columbia University Press, fifth edition, 2010).

and counterweights on Chinese power. The struggle ahead is not one between the United States and China, it is a struggle between China and the American-led liberal international order. If this is true, China will have its hands full.

Restraints on U.S.-Chinese Rivalry

As the region makes its great transition, there are background factors that help to mute and mitigate a full-scale balance of power rivalry. Three factors are most important, and they can be termed: the American strategic predicament, the Chinese strategic predicament, and the dilemmas of mutual vulnerability.[16]

First, the United States is seeking to remain a leading state in East Asia, but it is doing so within shifting geopolitical circumstances. All the "middle states" in the region are tied to both the United States and China. These countries — Japan, South Korea, and most of the countries in Southeast Asia — have China as their chief trade and investment partner. At the same time, they are also almost all tied to the United States for security. In effect, there increasingly are "two hierarchies" in East Asia. There is an economic hierarchy led by China and a security hierarchy led by the United States. Countries in the region look to the Dragon for economics and to the Eagle for security. This circumstance creates constraints and dilemmas for the United States.

This emerging dual hierarchy order is very unusual. There are not obvious regional orders in the past where states were situated between a leading economic power and a leading security power. It is also not clear how this dual hierarchy will operate. Is this two-system

16. For an exploration of the underlying forces generating competition and conflict in relations between the United States and China, see John J. Mearsheimer, *The Tragedy of Power Politics* (updated edition) (New York: Norton, 2014). For sources of restraint and accommodation, see James Steinberg and Michael E. O'Hanlon, *Strategic Reassurance and Resolve: U.S.-China Relations in the Twenty-First Century* (Princeton: Princeton University Press, 2014).

order stable? Can the United States make its security commitments credible enough to prevent hedging by these middle states, in the face of worries about abandonment? When countries are pushed — if they are pushed — to make choices between their economic and security leaders, which way will they go? These sorts of questions are not easy to answer, but their answers will no doubt shape the way regional order evolves.

But the more immediate implication of this dual hierarchy order is that the United States will have incentives to be both strategically firm and restrained. America's allies in the region will not be interested in full-scale balancing against China. They will not want to be forced to choose between Beijing and Washington. The United States will need to worry that if it presses too hard on its allies to confront or contain China that they will jump off the American bandwagon. The United States will need to pursue a "not too hot, and not too cold" policy in East Asia. It will need to find ways to reassure its allies that it "has their back." It will need to look for ways to convey critical commitment as the regional security provider, all the more so if the United States undergoes further weakening in its global economic position. But it also will need to convey reassurance in the other direction. It will need to show that it is not going to pull middle states into a war with China or into a prolonged geopolitical rivalry which will endanger the economic interests of these middle states. In the years ahead, the United States will be working to send moderate and firm signals of commitment and restraint.

Second, China also faces a strategic predicament. If China's foreign policy gets too aggressive and belligerent, this will generate region-wide backlash and balancing. This is the classic problem of a rising great power. China is getting more powerful, and so other countries in the region will increasingly worry about how that power will be exercised. Will China turn into a revisionist state that seeks regional domination? Or will China use its power to stabilize order and support regional institutions and cooperation?

In effect, China faces the problem that post-Bismarck Germany faced, and what diplomatic historians call the problem of "self-encir-

clement." Germany under Bismarck undertook elaborate efforts to reassure and diplomatically engage its neighbors. But by the turn of the century, after Bismarck's departure, Germany began to destabilize Europe through its economic growth and military mobilization. The rise of German power generated a backlash that destabilized the region and led ultimately to war. The growth of Chinese power also has the potential to trigger backlash and encirclement, which presumably China will want to avoid. China's various diplomatic missteps in 2010 seemed to illuminate these dangers. China's aggressive posture toward the South China Sea led to efforts by Southeast Asian countries to push back, drawing the United States into the diplomatic fray. China's confrontation with Japan in island disputes also had the effect of drawing Japan and the United States closer together. Likewise, in 2010, China's weak response to North Korean provocations toward South Korea had the effect of strengthening security ties between Seoul and Washington. In these circumstances, China has incentives to moderate its ambitions and look for ways to signal restraint.

Finally, the United States and China are not simply poised on a geopolitical playing field. The two countries also occupy key positions in the world economy, the world environment, and the world society. In all these areas, China and the United States are increasingly interdependent. They are not simply pitted in zero-sum geopolitical competition. They are also tied together in deep and complex interdependent ways. In various areas related to the world economy, global warming, transnational crime, energy security, and so forth, they cannot realize their objectives without the help of the other. These are problems of economic and security interdependence. These circumstances of interdependence create incentives for the two countries to bargain and moderate disputes. They cannot be secure and stable alone; they can only be secure and stable together. To the extent that this is true, the two countries will find powerful reasons not to go all the way down the path to balance of power rivalry and security competition. They will grudgingly look for ways to moderate and manage their contest for supremacy.

Conclusion

There are several possible pathways for Asia — some more advantageous to the United States and some less so. One possibility is that China gradually comes to dominate regional institutions, reducing American influence and the pivotal role of the U.S.-led bilateral security pacts. This could happen if regional institutions that exclude the United States — such as ASEAN plus 3 and the Shanghai Cooperation Organization — emerge as serious regional entities. This is not a likely outcome. America's allies are not likely to accept this evolution in East Asian regionalism. A more likely evolution in East Asian regionalism is a growing pluralism of regional groupings and associations. The region already is marked by this multi-layered regionalism. No singular regional organization — an "EU of Asia" — is in the offing. There are simply too many divergent and complex problems that call for different sorts of regional mechanisms and groupings. East Asia will not follow a European pathway.

Almost certainly, the United States and China will struggle and compete for leadership within Asia. The region will become more decentralized and complex. It will not be a straight forward hegemonic order or a traditional balance of power system. It will retain and evolve aspects of both.

The challenge of the United States is not to block China's entry into the regional order but to help shape its terms, looking for opportunities to strike strategic bargains along the way. The big bargain that the United States will want to strike with China is this: to accommodate a rising China by offering it status and position within the regional order in return for Beijing accepting and accommodating Washington's core strategic interests, which include remaining a dominant security provider within East Asia. In striking this strategic bargain, the United States will also want to try to build multilateral institutional arrangements in East Asia that will tie down and bind China to the wider region. China has already grasped the utility of this strategy in recent years — and it is now actively seeking to reassure and coopt its neighbors by offering to embed itself in regional institutions such at the

ASEAN plus 3 and East Asia Summit. This is, of course, precisely what the United States did in the decades after World War II, building and operating within layers of regional and global economic, political, and security institutions — thereby making itself more predictable and approachable, and reducing the incentives that other states would otherwise have to resist or undermine the United States by building countervailing coalitions.

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Domestic Drivers of Northeast Asian Relations*

T. J. Pempel

The Northeast Asian regional order is shifting since the old order was shattered by a decline in Cold War bipolarity and the rise in the penetrative power of global capital and corporations. The governments of China, Japan, and South Korea have been adjusting to these major external changes ever since, with each seeking to maximize their influence over the eventual structure of a new regional order, while simultaneously accommodating new domestic pressures. Initially, the adjustment process impelled the region toward economic interdependence, regional multilateralism, and reduced conflict. But recent years have seen an escalation in trilateral tensions and a resurgence of mistrust toward neighboring countries. By tracing the domestic adjustments in each of the three countries, the paper demonstrates how domestic adjustments in power, institutions and policies have been reshaping regional relations. This has triggered a recent rise in tensions rooted in an escalation of domestic nationalism.

Keywords: Northeast Asia, security tensions, globalization, domestic politics, economic adjustments

The Northeast Asian regional order has been undergoing a reconfiguration since the early-to-mid 1970s. From soon after World War II until at least the middle of the 1970s, the regional order was broadly structured by Cold War bipolarity plus national economic systems heavily buffered from outside penetration.[1] As bipolar tensions eased

* The author would like to thank Christopher Hughes, John Ravenhill and Richard J. Samuels for helpful comments on an earlier draft.

1. A considerable literature exists on "regional order." Absent space to provide extensive articulation of its implications suffice to say that I use the term to mean a system of shared norms, rules and expectations that constitute, regulate and make predictable interactions among states within the region. See inter

and global economic and financial pressures mounted, regional relations became far less certain as governments have maneuvered to reshape their regional relationships. Broadly speaking, the results have been: 1) increased regional economic interdependence; 2) regionalized multilateralism; and 3) a reduced focus on regional military power projection. As a consequence of all three, the region has witnessed a blurring of prior dichotomies between "friends" and "foes." Of particular note, political relations among China, Japan and South Korea (hereafter Korea unless otherwise stated) became broadly positive. With differing speeds and levels of enthusiasm, all three moved in the direction of global, regional and trilateral interdependence, a deepening of regional institutions, a tempering of nationalist bombast, and cooperation at the expense of contestation. Particularly emblematic of this cooperation was their trilateral compromise in forging the 2010 Chiang Mai International Multilateralization (CMIM), the initiation in 2008 of an annual Trilateral Summit, the subsequent creation of a Trilateral Secretariat based in Seoul, and the signing in 2012 of a three-way agreement governing trilateral investments.

Such cooperation proceeded despite tumultuous shifts in the regional balance of power, including the phenomenal economic developments in China married with its burgeoning military expenditures; Japan's twenty years of slow economic growth and the plummeting in its share of world GDP which combined to topple it from its prior perch as regional economic hegemon; North Korea's nuclear tests in 2009 and 2013 and perennial provocations; Korea's successful recovery from the 1997-1998 Asian Financial Crisis, its transformative financial liberalization and the challenges posed to Japanese industry by many of its top companies; along with American policymakers' preoccupation with the wars in Iraq and Afghanistan as well as the devastation to its domestic economy unleashed by the Global Financial Crisis of 2008-2009.

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alia, Muthiah Alagappa (ed.), *Asian Security Order: Instrumental and Normative Features* (Stanford: Stanford University Press, 2003), pp. 33-69; Evelyn Goh, *The Struggle for Order: Hegemony, Hierarchy and Transition in Post-Cold War East Asia* (Oxford: Oxford University Press, 2013).

Since 2007-2008, and with accelerated acuity since 2012, however, previous cooperation has been surpassed by a rise in contestation. Petulant officials from all three countries contend that "the other guy started it." But the consequence has been that the region is now witnessing a toxic brew of national mistrust and cross border animosity.

This essay examines this shift. Its central claim is that many of the biggest moves in trilateral relations, both positive and negative, have been heavily driven by domestic politics, often outweighing any shifts in strategic power balances. More specifically, the paper contends that as the old bipolar regional order collapsed, domestic political shifts have been taking place in all three countries as each seeks a beneficial mixture of domestic politics and regional or global security. For a time such domestic adjustments pushed China, Japan and Korea toward cooperative relations but in the last several years ongoing domestic shifts have begun to unleash far more nationalist xenophobia and a scapegoating of other countries in the region.

The paper begins by highlighting how, for sustained periods prior to two big external shocks — the ending of Cold War bipolarity and the increased sweep of economic globalization (beginning roughly in the late 1980s) — the three governments operated within a predictable, if periodically testy, regional order. Each pursued domestic agendas that reflected the longstanding preferences and policy predilections of well-entrenched ruling coalitions and institutions following predicable policy paths. In the process, domestic political preferences and regional foreign policies were mutually reinforcing.[2]

From there, the paper analyzes how the end of Cold War bipolarity and the increased penetration of East Asia by global capital and foreign imports challenged previously stable domestic orders. New pressures and policy options in turn often destabilized previously entrenched coalitions, institutions, and policies. At times, a substantial alteration

2. Elsewhere I refer to this combination of socio-economic coalitions, institutions and prevailing public policies as "regimes" and elaborate their role in shaping political behaviors over time. T. J. Pempel, *Regime Shift: Comparative Dynamics of the Japanese Political Economy* (Ithaca: Cornell University Press, 1998), esp. pp. 19-41.

resulted; elsewhere past practices were reinvigorated. Yet, cumulatively, domestic political biases initially shifted toward the collective embrace of economic development, regional, and trilateral cooperation and a downplaying of security and defense competition. Yet while such domestic tensions were initially resolved in favor of cooperation, in the last few years, Japan, the ROK, and the PRC have witnessed the upending of previously cooperative relations by the increased influence of nationalistic and introspective domestic political forces.

Two caveats are in order. In stressing the importance of domestic political considerations, I recognize, as Robert Putnam's famous two-level game metaphor famously underscored, that political leaders must continually calibrate both domestic and international constraints and opportunities as they make foreign policy decisions.[3] There is no denying that many apparently domestic shifts were partly driven by changing foreign policy perceptions. But this paper argues that domestic political considerations have been powerful catalysts in the changing regional order and that they have become increasingly central in leaders' calculations over the last several years.

Secondly, significant as any recent confrontational interactions may be, it is well to remember that Northeast Asia has seen no state-to-state shooting wars since the armistice ending the Korean conflict in 1953. This is unlikely to change in the near to medium term despite recent tensions. Current turbulence, worrisome and prone to careless miscalculation as it may be, remains well short of presaging imminent military conflict. Recent testiness is primarily a reflection of 'coercive diplomacy' that remains on the lower rungs of any escalatory ladder.[4]

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3. Robert D. Putnam, "Diplomacy and Domestic Politics: the Logic of Two-Level Games," *International Organization* 42, no. 3 (Fall 1988), pp. 427-460.
4. Thomas, J. Christensen, *Worse Than a Monolith: Alliance Politics and Problems of Coercive Diplomacy* (Princeton: Princeton University Press, 2011.).

The Cold War, Finance, and Domestic Regimes

At the height of the Cold War, the domestic regimes in China, Japan, and Korea each enjoyed internal power balances that, through suppression, side-stepping, or compromise, facilitated the pursuit of broadly consistent foreign policies. These reflected the prevailing global bipolarity, on the one hand, and domestic economies that drew predominantly on indigenous financing plus economic exchanges limited to Cold War bedfellows. Japan and Korea had well-entrenched ruling coalitions and government institutions committed to close military, economic, and geopolitical ties to the United States as well as to one another through bilateral alliances, U.S. military bases, inflexible anti-communism at home and abroad, along with the political marginalization of organized labor and citizens' groups.[5] In China, domestic power arrangements and foreign policies were also mutually reinforcing as the result of a well-entrenched and rigid Leninist party, powerful institutions of authority, and collective opposition to, and isolation from, Western capitalism and pluralistic democracy. China's overseas economic relations were predominantly with other communist regimes. In these ways, all three countries enjoyed high levels of coherence internally that permitted unified grand strategies abroad.

Improved relations between China, on the one hand, and the United States and Japan, on the other, during the 1970s, followed by the collapse of the Soviet Union and its extended empire in Eastern Europe undercut the appeals of communist ideology and gave birth to a reexamination of existing security logics. Japan and Korea were further spurred to reassessments by the decreasing willingness of American policymakers to tolerate their strategically-accepted export successes at the expense of American manufacturing.

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5. Bruce Cumings, "The Origins and Development of the Northeast Asian Political Economy: Industrial Sectors, Product Cycles, and Political Consequences," *International Organization* 38, no. 1 (Winter 1984), p. 24; T. J. Pempel, "The Developmental Regime in a Changing World Economy," in Meredith Woo-Cumings (ed.), *The Developmental State* (Ithaca: Cornell University Press, 1999), esp. p. 177.

Prevailing domestic arrangements in all three countries confronted a second challenge with the geometric expansion of the reach of global capital. By late 2014, some USD 4 trillion per day moved across national borders with the stroke of a few computer keys, a figure 25 percent higher than five years before and one vastly greater than any such figures in the 1970s or 1980s. As well, multilateral corporations honed elaborate modular production procedures that permitted them to transfer many of their low-skilled jobs and production processes to countries offering cheaper land and labor. Increased muscularity and political influence for multilateral and regional production networks followed as did rapid-fire moves toward freer trade and globally enmeshed capital techniques, all combining to challenge preexisting economic monopolies and oligopolies as along with previously insurmountable ideological exchange barriers. The previously extensive ability of political leaders to control their national economies became broadly circumscribed.

These momentous external changes rattled prevailing patterns of domestic power, providing opportunities for power holders, as well as those seeking power, to reconsider preexisting political calculations, to reorder longstanding power arrangements, and to alter prior policies. Initially such domestic recalculations stimulated all three countries to move toward enhanced economic integration and interdependence, engagement with regional institutions and a reduction in security tensions.[6] But lurking beneath that patina of cooperation were forces pushing back against the shifting global challenges in favor of enhanced nationalistic appeals and the scapegoating of neighbors.

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6. See, e.g. T. J. Pempel, *Remapping East Asia: The Construction of a Region* (Ithaca: Cornell University Press, 2005); John Ravenhill, "The 'New East Asian Regionalism': A Political Domino Effect," *Review of International Political Economy* 17, no. 2 (March 2010), pp. 1-31.

The Politics of Domestic Adjustment

The old regimes in China, Japan and Korea each underwent challenges as the result of the decline in bipolar tensions and the increasingly penetrative power of foreign finance and firms. In differing ways their domestic power configurations have been experiencing substantial transitions over the last 20-25 years. For sustained periods, such shifts resulted in: 1) increasing economic interdependence; 2) regional multilateralization; and 3) a reduction in geopolitical tensions both with one another and within the region more broadly. In more recent years, these moves toward cooperation have been stalled due to rising animosity.

China

The end of Maoism allowed China to break free of Cold War bipolarities by normalizing relations with the U.S. (1978), Japan (1972) and Korea (1992), and even to engage in strategic cooperation with the U.S. against the USSR while also widening its once "close as lips and teeth" ties with the DPRK. The USSR's collapse later eliminated China's most proximate security threat while accession to the UN Security Council, and the return of Hong Kong and Macau, boosted China's international integration and sense of external security. Simultaneously, China's economic interdependence with numerous prior enemies expanded rapidly. China joined the World Trade Organization (WTO) in December 2001 while absorbing vast quantities of aid and technology from Japan along with investments from multinational companies many of them headquartered in Korea and Japan.

Meanwhile the first Iraq War, carried live on CNN, convinced numerous Chinese security analysts that China was at best a second tier military power. Advocates of economic development gained policy-making preeminence at the expense of those favoring military confrontation. The Chinese foreign policy bias shifted from hardline promises to export revolution at the barrel of a gun in favor of economic development, the encouragement of foreign investment and technology

and the commercial export of manufactured goods in ways reflecting little ideological resonance in Marx, Lenin or Mao. The peaceful resolution of many previously contested land boundaries with its fourteen neighboring states added to perceptions of a "peaceful rise."[7]

China's embrace of economic globalization was highly selective and required navigating a tortuous path between domestic economic needs and global financial pressures. In contrast to the earlier economic modernizations carried out by Japan, Taiwan and Korea, behind highly protectionist barriers for the domestic market, however, China welcomed the infusion of foreign capital as a catalytic necessity for its economic transformation. Ethnic Chinese business networks from Hong Kong, Southeast Asia and Taiwan pumped in vast quantities of investment capital, as did Japan and Korea, along with the developed countries more generally. Despite selective opening to foreign capital and investment, China's economy remained tightly cosseted in areas such as banking, currency convertibility, and the continued salience of state-owned enterprises. Chinese leaders, chary of any full scale embrace of global economics that might see their political control eroded by international financiers, bond traders, and currency speculators, stoutly resisted suggestions that they open the economy more fully to capital penetration and control by foreign firms.[8]

After the crackdown on democracy protests at Tiananmen in 1989, economic growth took on even more centrality for the party's legitimation. Communist Party leaders had been sharply split over how to deal with the demonstrations that nearly ended forty years of the Communist Party of China (CPC, commonly known as the Chinese Communist Party, CCP) control. Shirk provides a convincing case that three powerful conclusions consequently shaped the party leadership's subsequent actions: 1) avoid visible leadership splits; 2) prevent large-scale social unrest; 3) keep the military on the side of

7. M. Taylor Fravel, *Strong Borders, Secure Nation: Cooperation and Conflict in China's Territorial Disputes* (Princeton University Press, 2008).
8. Barry Naughton, "China: Domestic Restructuring and a New Role in Asia," in T. J. Pempel (ed.), *The Politics of the Asian Economic Crisis* (Ithaca, Cornell University Press, 1999), p. 207.

the party.[9]

Achieving these goals spurred the widespread tolerance of official corruption as one way to ensure buy-in to economic development by the politically and militarily powerful. According to the Corruption Perceptions Index compiled by Transparency International (TI), a Berlin based nongovernmental organization, China ranks among the more corrupt nations in the world, consistently among the worst one-third of the countries included in the TI index. As Minxin Pei put it: "Corruption in China is concentrated in the sectors with extensive state involvement: infrastructural projects, sale of land user rights, real estate, government procurement, financial services, and heavily regulated industries. The absence of a competitive political process and a free press in China makes these high risk sectors even more susceptible to fraud, theft, kickbacks, and bribery."[10]

Meanwhile, to offset the possibility that emerging economic titans might pose a threat to political leaders, in 2001 Jiang Zemin stunned his countrymen by announcing that private entrepreneurs would be allowed to join the CPC because they contributed to developing and modernizing the country. Jiang fended off the strong opposition from other members of the party who believed that he violated the party's socialist principles and the discipline and criteria for recruiting new members.[11] The move resulted in a solid alliance between the politically and economically powerful within the country.

Important to enhancing both mass support and leadership cohesion has been a program of officially sanctioned nationalism.[12] The

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9. Susan Shirk, *China: Fragile Superpower* (Oxford: Oxford University Press, 2007), pp. 35-78.
10. Minxin Pei, "Corruption Threatens China's Future," *Carnegie Endowment for International Peace, Policy Brief 55*, October 2007.
11. Bruce J. Dickson, *Red Capitalists in China: The Party, Private Entrepreneurs, and Prospects for Political Change* (New York, N.Y.: Cambridge University Press, 2003).
12. Suisheng Zhao, "A State-led Nationalism: The Patriotic Education Campaign in Post-Tiananmen China," *Communist and Post-Communist Studies* 31, no. 3 (March 1998), pp. 287-302; Chung-In Moon and Seung-Won Suh, "Identity Politics, Nationalism, and the Future of Northeast Asian Order," in G. John

administration of Jiang Zemin launched "patriotic education" in the 1990s, dramatizing Chinese resistance against the Japanese invasion and painting highly negative portraits of Japan among the Chinese people.[13] Patriotic fervor emerged as "an official doctrine of state nationalism by the CPC," the rubric under which to promote national unity and to strengthen its ruling power.[14] Xenophobic museums, patriotic school education, patriotic chat networks and popular demonstrations all became part of a party-driven nationalist agenda designed to self-legitimate the CPC. And in contrast to early party efforts to emphasize its (dubious) centrality to the defeat of the Japanese military in World War II since the early 1990s, the nationalist narrative has focused far more on the need to eradicate "a hundred years of humiliation," a thread that paints the West and Japan as ever-ominous threats. Yet the excesses of nationalism were kept in some check by the party leadership as it sought to maintain close economic links with Japan and other economic partners and a subtle acceptance of the fact that the American military presence in Asia and Japan's low posture on defense and security were congruent with China's long term security interests.

All of these moves served China well by keeping the CPC unified and ensuring domestic quiescence (if not enthusiasm) while boosting the regional enthusiasm for China's economic development. U.S. allies,

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Ikenberry and Chung-In Moon (eds.), *The United States and Northeast Asia: Debates, Issues, and New Order* (Lanham: Rowman & Littlefield, 2008), pp. 193-229; Elena Atanassova-Cornelis, "The Political and Security Dimension of Japan-China Relations: Strategic Mistrust and Fragile Stability," *Pacific Focus* 26, no. 2 (August 2011), pp. 165-187; Akio Takahara, "A Japanese Perspective on China's Rise and the East Asian Order," in Robert S. Ross and Zhu Feng (eds.), *China's Ascent: Power, Security, and the Future of International Politics* (Ithaca, Cornell University Press, 2008), pp. 230-235.

13. Minxin Pei and Michael Swaine, "Simmering Fire in Asia: Averting Sino-Japanese Strategic Conflict," *Policy Brief* 44 (November 2005). Carnegie Endowment for International Peace, at http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=17720.
14. Chung-In Moon and Seung-Won Suh, *op. cit*., p. 208. As cited in Atanassova-Cornelia, *op. cit*. p. 173.

as was noted above, had long relied on the U.S. market as the major destination for their exports. Yet by the early 2000s that had shifted as China became the number one or number two export destination for virtually all countries across East Asia. Furthermore, economic interdependence between China and the U.S. deepened with the U.S. becoming the major destination for Chinese exports while China became the major purchaser of U.S. debt instruments. China also emerged as something of a regional hero during the Asian Financial Crisis by rejecting a devaluation of its currency as well as in the Global Financial Crisis a decade later when its leaders embarked on a CNY 4 trillion (USD 586 billion) stimulus program that was a major catalyst in invigorating international trade and avoiding global recession.[15]

China, while initially a multilateral skeptic, also became an avid participant in virtually any and all global and regional institutions. China is a member of the ASEAN Plus 3 (APT) and the financial process it has spawned, the CMIM, designed to buffer the region against potential financial crises. It joined the ASEAN Regional Forum and signed the Treaty of Amity and Cooperation. It convened and oversaw the Six Party Talks until their suspension; it cooperates in efforts to thwart North Korea's nuclear program; and it has been an active proponent of various Asian bond market initiatives, the East Asia Summit and numerous Track II diplomatic processes. Such moves toward economic integration and regional institutional support bolstered the claim that China was engaged in a "peaceful rise," challenging proponents of "power transition" theories that contended that a rising China would invariably demand systemic changes in the status quo that would be vigorously, and militarily, opposed by pro-status quo forces. Instead, Edward Steinfeld has gone so far as to claim that through its regional and economic activities, China was "Playing Our Game."[16]

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15. Barry Naughton, "China and the Two Crises: From 1997 to 2009," in T. J. Pempel and Keiichi Tsunekawa (eds.), *Two Crises*, *op. cit*.
16. Edward Steinfeld, *Playing Our Game: Why China's Rise Doesn't Threaten the West* (Oxford: Oxford University Press, 2010).

Yet whereas China typically joined organizations begun by others and congruent with notions of regional and global cooperation, in 2001 it became the engine behind the formation of the Shanghai Cooperation Organization which some saw as an "anti-NATO."[17] And more recently in March 2013, it joined with the other BRICS nations in forming "The New Development Bank," (NDB) while in May 2014 it proposed a regional finance institution known as the Asian Infrastructure Investment Bank (AIIB), with start-up capital of USD 50 billion, the majority of which would come from China. Both the NDB and the AIIB stand as potential competitors to the International Monetary Fund (IMF) and the Asian Development Bank (ADB), both widely seen as primarily responsive to Japanese and U.S. interests.

For nearly three decades after the initiation of the Deng economic reforms, domestic political arrangements appeared to be fostering leadership cohesion, popular loyalty, high growth, and regional integration. But in recent years, anti-corruption protests have mounted, the blistering economic growth has tapered off, and top leaders have found themselves subject to party criticisms, as with the purge of Politboro member Bo Xilai while a 2012 investigation by the *New York Times* revealed that the family of premier Wen Jiabao had billions of dollars in hidden riches.[18] In the process, nationalism has exploded even as economic development remains the party's central focus.

Years of stoking anti-Japanese flames had ebbed and flowed but it took on a new dynamism following tensions over the Senkaku/Diaoyu Islands that began with the ramming of Japanese coast guard cutters by a Chinese fishing boat and the captain's subsequent arrest and the Japanese government's purchase of three privately owned islands in the Senkaku cluster. The offsetting arrest of four Japanese businessmen, widespread citizen attacks on Japanese companies and property in China, and an outpouring of anti-Japanese vitriol from

17. Rodion Ebbighausen, "Anti-Western Alliance in Asia," *Deutsche Welle*, September 11, 2014, http://www.dw.de/anti-western-alliance-in-asia/a-17914677.
18. David Barboza, "Billions of Hidden Riches for Family of Chinese Leader," *New York Times*, October 25, 2012.

suddenly uncensored 'netizens' were followed by the introduction in early 2014 of two anti-Japanese national holidays that have further inflamed anti-Japanese sentiments. Japan's fulsome embrace of its own nationalism (discussed below) certainly facilitated the Chinese leadership's ability to encourage domestic nationalists. Chinese nationalism has also partnered with official ROK criticisms of Japan as manifested, for example, in the two countries' collaboration to erect a statue and memorial hall in the VIP lounge at Harbin railway station honoring anti-Japanese Korean nationalist, An Jung-geun, on a site where An assassinated Ito Hirobumi, architect of Japan's constitution but also the overseer of Japan's colonization of the Korean peninsula a century earlier.[19]

As the economic growth has slowed and popular protests have mounted, China's new leader Xi Jinping has stoked the fires of nationalism as a companion to his risky efforts to fight official corruption (and eliminate intra-party rivals). While economic development remains the CPC's key priority, official rhetoric now is embellished with nationalistic flourishes suggesting a policy shift toward enhanced military assertiveness directed at Japan, Southeast Asia and the United States. Indeed, given the increased perception among Chinese elites about U.S. weakness as well as Japanese self-isolation, a broad Chinese policy shift toward the rest of the region appears to be occurring.

Japan

If the jolts from reduced Cold War bipolarity and enhanced external economic forces in China were manifested primarily through adjustments within the ruling CPC, in democratic Japan, the exogenous challenges initially triggered the evisceration of the left-of-center opposition but subsequently also played out most prominently within the ranks of the long dominant LDP rather than through electoral party competition.

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19. *Asahi Shimbun*, "China sets up memorial for Korean anti-Japanese activist," January 20, 2014, http://ajw.asahi.com/article/asia/china/AJ201401200074.

Japanese political elites had long been divided into several major camps on questions of security, but the Yoshida line of limited defense expenditures and a focus on economic development drove foreign policy from the early 1950s well into the early 1990s.[20] At that time a major blow to Japan's strict pursuit of "defensive defense" came when Japan's huge contribution of USD 13 billion during the first Gulf War was dismissed as mere "checkbook diplomacy," thereby unleashing a security debate won by those anxious to see Japan take on a more active role through UN Peacekeeping Operations and to forge more explicitly military links with the U.S.

Meanwhile, as Japan's economy expanded in the 1970s and 1980s, the Japanese currency soared in value, stimulating business firms to invest heavily abroad. Asia, including Korea and China, were major destinations. A torrent of official Japanese aid also flowed into Asia generally and China specifically in the form of yen loans, grant aid and technical cooperation. The result was a boom in Japan's regional influence and a cementing of its position as the leader of East Asia's extensive economic miracle. Of particular note for China-Japan relations, over the three decades following diplomatic normalization in 1972, Japan was consistently the largest aid donor to China. Private sector investments were also extensive so that by 2007, China and Hong Kong combined hosted 9.1 percent of Japan's total FDI overseas stock. Only the U.S. (31.9 percent) and the Netherlands (11.7 percent) garnered larger shares of Japanese FDI.

Even as Japanese monies moved out, heavy barriers remained to prevent foreign money and imports moving in. Pressures to continue past protections were most evident following the Plaza Accord (1985) which brought a huge revaluation of the Japanese yen, a move that European and American officials anticipated would reduce Japanese exports while boosting their firms' sales to Japan. However the Bank of Japan, aiming to counter the rise of the yen and to aid exporters, forced down interest rates creating the 1985-1990 bubble economy.

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20. Richard J. Samuels, *Securing Japan: Tokyo's Grand Strategy and the Future of East Asia* (Ithaca, Cornell University Press, 2007), pp. 109-132.

Once the bubble burst in 1990-1991, long papered-over divisions within the Liberal Democratic Party (LDP) and within business circles erupted into the open, triggering a two decade struggle between forces favoring variations on neo-liberal adjustment at home and regional integration abroad on the one hand, and domestic protectionist forces pressing a more nationalist agenda.

At the explicitly political level, the combination of security and economic changes had their most powerful impact in the decimation of the once formidable left of center opposition. Never more than a one-third minority in parliament, the Japanese left provided an ongoing, if episodic, check on Japan's ruling conservatives, hindering efforts to alter the postwar constitution, stressing the dangers of war and potential entrapment in U.S. security maneuvers, and endeavoring to keep the citizenry attuned to the darker aspects of Japan's prewar history. Electoral reforms in 1994, however, combined with the prime ministership of JSP leader Murayama Tomiichi (1994-1996), who scrapped virtually all of the longstanding positions of his party, led to the party's electoral collapse in the 1995 election, from which the collective left has never recovered.

Divisions over the national economic direction remained largely unresolved as a succession of one year prime ministers reflected the LDP's reluctance to tamper with the status quo, i.e. no liberalization of sectors core to LDP success such as construction, agriculture, finance, and small businesses. Protectionism was bolstered by a heavy reliance on pork barrel spending aimed at sustaining voter support, the end result of which was an explosion in public sector debt. Not until the prime ministership of Koizumi Junichiro did a tentative policy direction emerge.

Koizumi took office promising "reforms with no sanctuaries," pushing back on the pork-oriented elements in his party and their supporters, cutting expenditures for road construction and public works, privatizing numerous public sector corporations and capping the issuance of new bonds for public works. His most dramatic challenge to the old guard however came with his 2005 effort to privatize the postal system. This threated to eliminate a mother lode of LDP pork

barrel spending as well to vitiate key links between politicians and their local constituencies. A titanic political battle between pro-Koizumi reformers and stalwarts of the old guard ensued, with Koizumi ultimately engineering a stunning electoral victory for himself and his allies in September 2005. The seeds of an economic revitalization and a more domestically moderate LDP had been sown.[21]

While moving his country toward economic globalization on the one hand, Koizumi also oversaw a reinvigoration of its defense and security policies on the other, largely in keeping with the goals of the combined defense establishments of Japan and the U.S. and one that swamped the diminishing number of dovish opponents within the LDP. Among other things, Koizumi raised the status of the Defense Agency, provided Japanese military forces for U.S. actions in Iraq and Afghanistan, enrolled Japan as the first foreign participant in America's missile defense system, and enhanced interoperability of Japanese and U.S. equipment. Also changed was a new military outline in 2004 that broke precedent by explicitly identifying China and the DPRK as potential security concerns to Japan.[22]

Finally, Koizumi undercut the longstanding, if implicit, agreement between Japan and China put in place by Prime Minister Nakasone (1982-1987), that Japanese prime ministers would not visit the controversial Yasukuni Shrine. In a blatant attempt to garner the votes of the rightest oriented War-Bereaved Families Association during his 2002 campaign for LDP president, Koizumi promised that, if elected, he would visit the shrine on August 15.[23] His recurrent Yasukuni visits were supplemented by other gestures to the right such as government

21. T. J. Pempel, "Between Pork and Productivity: The Collapse of the Liberal Democratic Party," *The Journal of Japanese Studies* 36, no. 2 (Winter 2010), pp. 227-254.
22. Christopher W. Hughes, "Japanese Military Modernization: In Search of a "Normal" Security Role," *Population (m)*, No. 127 (2005), pp. 127-133; T. J. Pempel, "Japan: Divided Government, Diminished Resources," *Strategic Asia* 9 (2008), pp. 106-133; Richard J. Samuels, *Securing Japan: op. cit*.
23. Koichi Nakano, "The Legacy of Historical Revisionism," *The Asan Forum: An Online Journal*, July 25, 2014, http://www.theasanforum.org/the-legacy-of-historical-revisionism (accessed September 10, 2014).

approval of textbooks that denied large segments of Japan's aggression during World War II, downplaying the significance of forced prostitution to serve the Japanese military and pushing Japanese claims over Dokdo (known in Japan as Takeshima). In these and related ways, Koizumi and the LDP tapped into a lodestone of latent nationalist frustration over Japan's cascading decline and China's corresponding rise in political and economic stature (most demonstrably driven home when China's GDP surpassed that of Japan in 2010).

Subsequent LDP Prime Ministers Abe and Aso reversed most of Koizumi's economic reforms, welcomed back to the party those purged by Koizumi, and accelerated Japan's rightward and security moves, thus swinging their party back toward its pre-Koizumi posture. Their nationalist push included a drumbeat of criticism about the dangers of China's rise and North Korea's failure to account adequately for various Japanese citizens abducted by the DPRK program in the 1970s.

Abe-Aso efforts to reinvigorate the old regime, if not to move the entire power structure further to the right, were interrupted by the party's replacement by the more centrist Democratic Party of Japan (DPJ) in 2009. Seeking to improve Japan's relations with China and Korea, the DPJ sent a major business entourage of several hundred Japanese business and political leaders to China while Prime Minister Hatoyama floated a proposal for Japan to create and lead an "East Asia Community."

If the DPJ embraced greater regional cooperation it was also responsible for a key rupture in relations between Japan and China. For decades, Japan and China had been operating on an implicit, if not always publicly acknowledged, agreement that if Japanese official vessels seized Chinese fishermen in waters administered by Japan (i.e. the Senkaku/Diaoyu), they and their ship would be held for a few days and returned to China minus the catch. Following the 2010 incident, mentioned above, in which a Chinese fishing trawler rammed two Japanese coast guard vessels, DPJ Transport Minister Maehara spurned precedent by declaring that the captain would be subject to Japanese law. This triggered a violent series of anti-Japanese demons-

trations in China, the tit-for-tat arrest of four Japanese businessmen in China, and China's freezing the export of rare earth materials — a critical component in many high-tech Japanese goods. The DPJ and the Foreign Ministry quickly backed off and returned the captain to China but not before creating a major rupture in bilateral ties.

Relations soured further under the DPJ when Prime Minister Noda took what he apparently thought was the tension-reducing move of purchasing three privately owned islands in the Senkaku as a way to forestall their sale to the right wing mayor of Tokyo who had threatened to use the islands for political purposes. Rather than welcoming Noda's move as conciliatory, China chose to interpret the action as an official move to bolster Japanese sovereignty claims which unleashed months of a testy cat-and-mouse game by Japanese and Chinese maritime vessels and aircraft attempting to outmaneuver one another in ways that might assert or refute competing claims of sovereignty.

The 2012 election saw the drubbing of the DPJ and the second prime ministership of Abe Shinzo. Winning office with promises to revitalize Japan's languid economy through a mix of policies labelled "Abenomics," the returning Abe proved slow to deliver economically but quick to advance his long held nationalist agenda, highlights of which included challenging the historical evidence behind Japanese government involvement in recruiting and providing sex slaves (comfort women) for Japanese troops, hedging on prior official apologies for Japanese behavior during World War II, installing a sweeping 'secrecy law,' and making an official visit to Yasukuni Shrine. He also created a cabinet rife with right-of-center parliamentarians. In his 2014 cabinet reorganization 15 out of a total of 19 cabinet officials, including Abe, were members of right-leaning organizations.

Since the decline in Cold War bipolarity and the rise in the force of global economics, Japanese policies have moved resolutely toward a tighter embrace of security ties with the U.S., combined with a resistance to structural reforms that would open its own economy and enhance productivity at the possible expense of well-entrenched economic forces. In the process, nationalist voices and policies have

been strengthened, much to the dismay of neighboring countries, but also to the United States, an ally embraced militarily but one reluctant to see regional tensions deteriorate.

Republic of Korea

Longstanding Korean economic policies under authoritarianism depended heavily on the success of oligopolistic *chaebol*; security policy pivoted around protection from a potential attack by the North; close military and economic ties were maintained with the US; and media outlets were predominantly supportive of the government in power. Ties with China improved economically but remained politically frosty.

Populist challenges to authoritarian rule had been ongoing for years in Korea and democratization was eventually achieved in 1988, just as the USSR was collapsing and the domestic Korean economy was benefitting from years of double digit expansion. Democratization allowed a political manifestation of long suppressed divisions on ideology, dealing with collaborators during the Japanese occupation, land reform, and the nature of state power, among other core issues.[24] And because Korea has an exceedingly strong presidency along with weak parties and a weak parliament, the result has been a series of jarring U-turns in Korean foreign policy as administrations representing competing blocs have alternated in controlling executive power. Two successive conservative presidents continued large segments of the old system from 1988 until 1998. Then, subsequent electoral victories by two left-of-center presidents, Kim Dae-jung (1998-2003) and Roh Moo-hyun (2003-2008), triggered new policy directions domestically and in foreign affairs only to be challenged by two of their conservative successors, Lee Myung-bak (2008-2013) and Park Geun-hye (2013-).

One of the earliest challenges to the old regime came in the late

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24. Byong-Man Ahn, *Elites and Political Power in South Korea* (Cheltenham and Northampton, UK: Edward Elgar, 2003), p. 191; H. Sonn, "Regional Cleavage in Korean Politics and Elections," *Korea Journal* 43, no. 2 (Summer 2003), p. 33.

1980s from demands for financial-market liberalization by the OECD, IMF, and the U.S. government. The conservative Kim Young-sam government (1993-1998), anxious to see Korea join the OECD, was quick to embrace such reforms thereby jolting the previously well-entrenched financial institutions and their symbiotic ties with oligopolistic manufacturers. The government sought, with only partial success, to limit the ability of the *chaebol* to benefit from this financial liberalization. Ironically, however, democratization in 1988 boosted *chaebol* influence as politicians and political parties increasingly came to rely on big corporations for the huge financial contributions they could provide.

Any of these early systemic shocks from financial liberalization were dwarfed by the subsequent lambasting delivered during the Asian Financial Crisis (1997-1998). Heavy foreign borrowing by rapidly expanding Korean firms had left these firms, as well as the national economy more broadly, powerless in the face of sudden calls for repayment from lenders as well as to capital flight by investors.

An almost simultaneous shock to the old regime came with the stunning election of Kim Dae-jung as president in December 1997. A longstanding champion of democratization and a critic of much of the old regime, Kim took office at the height of the Asian financial crisis and quickly conceded to stringent IMF terms in exchange for national financial assistance. Kim took political advantage of the crisis, however, in an effort to reduce the economic control of entrenched business and financial sectors. He forced through substantial corporate reorganizations (the Big Deal and the Workout), nationalized or closed several banks and provided 100 percent opening of the financial sector to foreign investors. Additionally his administration expanded the nation's relatively thin safety net at the behest of his supporters from labor and the lower classes.

Importantly for bilateral Korean-Japanese ties, in October, 1998 Kim met with Japanese Prime Minister Obuchi and the two agreed to bury past bilateral animosities in favor of "forward looking relations." Kim also reversed the entrenched ROK defense doctrine that treated the DPRK as an implacable threat while simultaneously challenging

the Bush administration's portrayal of the DPRK as part of an "axis of evil." As part of his "Sunshine Policy" aimed at engaging the DPRK economically, Kim achieved a breakthrough visit to Pyongyang in 2000, meeting with Kim Jong-il in the first visit between the top leaders of the two Koreas since the end of the Korean War. Korea offered unqualified (and critics would argue "naïve") economic assistance and created collaborative projects such as the Kaesong industrial complex and the Mt. Kumgang tourist operation.

Kim's successor, Roh Moo-hyun further challenged preexisting patterns. His upset victory in 2002 expanded the reformist agenda of income redistribution and governmental decentralization, along with a continuation of Kim's Sunshine Policy (re-labeled Peace and Prosperity). He was even more explicit than Kim Dae-jung in striving to balance Korea's relations between the United States and China.[25] At the same time, he did initiate the bilateral free trade pact with the U.S. (KORUS FTA) that shored up the U.S.-ROK relationship through improved trade ties heavily in accord with U.S. preferences.

The country's political zig-zag continued when Lee Myung-bak became president in December 2007, followed in April 2008 by a substantial legislative victory for his Grand National Party. These dual wins reflected both disillusionment with many of the policies and inefficiencies of the Roh administration as well as a reinvigoration of key forces from the old regime.

Returning to long standing conservative priorities, the Lee administration stressed three policies: revitalization of the economy, strengthening the U.S.-ROK alliance, and enhancing Korea's position within the global arena. A Hyundai CEO turned politician who had shown great initiative as mayor of Seoul, Lee committed his administration to reversing the income redistribution policies of the prior two governments in favor of an emphasis on higher growth per se, such as had

25. Byung-Kook Kim, "Between China, America, and North Korea: South Korea's Hedging," in Robert S. Ross and Zhu Feng (eds.), *China's Ascent: Power, Security, and the Future of International Politics* (Ithaca, Cornell University Press, 2008), pp. 203-210.

been enjoyed in the 1980s and early 1990s. He advanced an ambitious 7-4-7 plan promising growth rates of 7 percent, incomes of USD 40,000 per capita, and a Korean GDP that would be number seven globally. As part of an overall development strategy that would remove what many businesses felt was the stigma given them under the previous regime, he also encouraged a friendlier bureaucratic climate for business overall, while promoting investments and public works projects.

Lee's administration also swung right on the issue of Korean history, contending that school texts promoted under the Kim-Roh regimes had denigrated the democratic and economic achievements of earlier leaders and that in the words of Chung-in Moon "adopt[ed] an anti-market, anti-liberal democracy, anti-American, and pro-North Korean stance."[26] The Lee administration's policies toward the DPRK also reversed many of those pursued by his two predecessors. Even before taking office the Lee government called upon the Ministry of Unification to hold up various cooperative projects initiated or promised by the Roh government so as to allow a complete policy review, indicating that the new government would consider most intra-Korean projects only on the basis of reciprocal actions from the North. And indeed, Lee entered office promising to disband the Ministry of Unification, which had been in the forefront of Kim-Roh efforts to improve North-South ties through economic assistance.

Central to this expected reciprocity was the move away from economic engagement with the North and the hardened insistence on denuclearization in exchange for economic growth. Lee promised that if the North gave up its nuclear arsenal the ROK would provide assistance to raise the GDP of the DPRK to USD 3,000 per capita, a feat predicated on growth rates of 10 percent per year in the North. But in exchange, the Lee government called for new concessions from the North, including improved human rights, while refusing to implement a sequence of inter-Korean agreements embodied in the June 15,

26. Chung-in Moon, "South Korea in 2008: From Crisis to Crisis," *Asian Survey* 49, no. 1, p. 125.

2000, and October 4, 2007, joint declarations between his predecessors and the DPRK.[27] Lee argued that carrying out the agreements of his predecessors had to pivot on the North's compliance with the earlier 1991 agreement.[28] His tougher foreign policy stance was reflected as well in the ROK's becoming a full-participant in the Proliferation Security Initiative (PSI), in the imposition of unilateral sanctions against Pyongyang, and in open discussions about a need to enhance ROK missile capabilities.

Bilateral relations between Japan and the ROK remained warm under the overlapping conservative administrations of Lee and Japanese Prime Minister Aso Taro. The two met on the periphery of larger meetings such as ASEAN Plus Three and the G-20; they also held a sequence of individual summits. Between the last quarter of 2008 and the first quarter of 2009 Aso and Lee met as many as eight times, indicating very warm bilateral ties. Additionally in early 2009, Japan and Korea signed their first formal defense pact covering military cooperation measures in a wide range of areas. Meanwhile, at the Shangri-la Dialogue in Singapore, Defense Ministers Lee Sang-hee of ROK, Hamada Yasukazu of Japan, and Robert Gates of the U.S. held their first trilateral defense ministerial talks. The ROK and Japan also reinvigorated suspended talks for a bilateral FTA. Equally important, Japan and Korea joined with China in a trilateral leaders' meeting in Fukuoka in 2008 that subsequently became institutionalized with annual meetings and a secretariat in Seoul. Yet Lee was not above playing to domestic nationalists as he demonstrated by making a sudden visit to the island of Dokdo (the first by a Korean president, and one roundly criticized by Japan) in the run up to the 2012 presidential elections.

Domestically the left fragmented during the Lee administration, not least because of the crackdowns on public protests and the prosecutorial efforts to convict former president Roh of official corruption,

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27. Ibid., p. 127.
28. Haggard, Stephan and Marcus Noland, "North Korea in 2008: Twilight of the God?" *Asian Survey* 49, no. 1 (January 2009), p. 99.

the latter leading to Roh's suicide. In the presidential election of 2012, consequently, conservative Park Geun-hye led her Saenuri Party to a comfortable win with 51.6 percent of the vote. Yet, at least since 2011, starting with an article in the US journal *Foreign Affairs*, Park sought to distance herself from Lee's hard line towards the North, advocating what she called "*Trustpolitik*."[29] After taking office her administration played this out by boosting U.S.-ROK links while softening Lee's tough line toward the DPRK. She also worked to improve ties with China. All of these were congruent with strategic calculations by the ROK. Where domestic politics have been most in evidence and at odds with strategic logic has been in the stunning collapse of the previously warm Japan-ROK links.

Thirty-five years of brutal colonization has left the Korean public simmering with negative attitudes toward Japan. At the same time, normalization and financial aid in 1965, the two countries' ties to the U.S., their simultaneously rapid economic growth and democracy, their domestic economic systems, various cultural exchanges and explicit efforts to improve ties often mitigated such criticisms. The positive relations between the two countries under Aso and Lee as late as 2008, various mil-mil exchanges, and participation in joint military exercises with the U.S. along with the exploration of a bilateral free trade agreement were but some of the manifestations of the positive security ties between the two counties in the late 2000s.

Since its inauguration, however, the Park administration has joined China in relentless criticism of the Abe administration and his ongoing embrace of multiple right-wing positions, most sensitive of which to Park personally has been the broad wink-and-nod skepticism Abe and his administration have demonstrated regarding the Japanese government's responsibilities for the wartime military system of "comfort women." Frostiness between the two leaders was evident in the fact that the first post-inauguration phone call between Abe and

29. Park, Geun-Hye, "A New Kind of Korea: Building Trust between Seoul and Pyongyang," *Foreign Affairs* 90, no. 5 (September/October 2011), http://www.foreignaffairs.com/articles/68136/park-geun-hye/a-new-kind-of-korea.

Park did not come until March 2013, in the numerous previously-scheduled high level meetings cancelled by the ROK, and by Park's unrelenting refusal to meet bilaterally with Abe, describing him as failing to have a correct understanding of history. Following Abe's visit to Yasukuni, Korean public opinion of him plummeted to a level below that of Kim Jong-un.[30] Park was finally strong-armed into a three way sit-down among herself, Abe and President Obama, in March, 2014, the U.S. being distressed by the deterioration of ties between its two most important Northeast Asian allies in and the risks of poisoning America's broader regional goals. Nevertheless, the bitterness of Korea-Japan relations under Abe and Park, despite the strategic logic pressing for cooperation, continues to underscore the driving power of domestic politics.

Trilateral Deterioration in the Face of Competing Nationalism

The preceding analysis allows four major conclusions. First, Northeast Asia is forging a new regional order, the major parameters of which are still being worked out. Nevertheless the previous order shaping interactions until the end of the 1980s or the beginning of the 1990s has disappeared. No longer is the region structured primarily by the sharp bipolar security tensions combined with the high degree of national economic insulation of the past. China and the U.S., for example, have become "frenemies" on a range of global and regional security matters while becoming deeply interdependent economically. Economic and institutional linkages among Japan, China and Korea have deepened. Meanwhile, within both Japan and the ROK their respective alliances with the United States are undergoing reexamination; even as they are re-embraced they show enhanced complexity and greater independence for the previously junior partners. More

30. Asan Institute, "Challenges and Opportunities for Korea-Japan Relations in 2014," http://en.asaninst.org/contents/challenges-and-opportunities-for-korea-japan-relations-in-2014.

broadly, throughout the region multilateral production networks, foreign direct investments, and trade have woven complex webs of interdependence among previously frigid neighbors while undercutting the power of domestic finance to shape economic activities within national borders. A flurry of overlapping and occasionally competing regional institution building has been occurring since the formation of APEC in 1989. Paralleling this has been an expanding network of bilateral and minilateral free trade agreements.

Second, external shifts in geopolitics and geoeconomics have opened up political space within the domestic political economies of Northeast Asia for a rethinking and reconfiguring of security and economic policies. Bipolar security ramparts have been lowered while important instruments of domestic economic insulation have often been discarded. China improved ties with virtually all of its neighbors while pursuing economic growth and regional ties, even as the maintenance of popular support and leadership unity has rested on a tolerance of official corruption, ideological dilution and popular nationalism. The political left was eviscerated in Japan allowing the prior establishment to consolidate power and swing further to the right even though to date little progress has occurred in reconfiguring and reinvigorating the economy. Democratization in Korea has been manifested in sharp turns within both security and economic policy as presidents with competing socio-economic based and ideological predispositions have alternated in power.

Third, the combination of these forces was initially conducive to closer economic ties, more numerous multilateral institutions, and a reduction in security tensions. A reduced American military budget and a focus on economic and multilateral engagement with East Asia by the Clinton and Obama administrations, emblematic of this tendency, found resonance in China's economic reforms, Japanese investments and aid across Asia, and the moves by Kim Dae-jung toward both regional and DPRK engagement as well as the explosion in new regional multilateral institutions.

Fourth and finally, however, in the past several years, a wave of competing nationalisms has derailed what had previously been a

herky-jerky but nonetheless clearcut trend toward greater trilateral cooperation. As was noted above, nationalism has deep roots in all three countries and hostility toward Japan has ebbed between latent and inflammatory in Korea and China for decades. And within Japan, a burgeoning and introspective nationalism has been evident since the bursting of the economic bubble in 1990-91. A festering animosity toward China was visible as early as 2000 when a Chinese naval reconnaissance ship sailed around the Japanese archipelago along with subsequent intrusions into undisputed territorial waters as well as with the two countries' mini-trade war of 2001.[31] Yet for most of the first decade of this century tensions were tamped down and mass political xenophobia was checked by political leaders in all three countries. All appeared to stress collectively the positive benefits of cooperation over the competing national interests threatening to push them apart.

Leadership efforts to restrain domestic nationalism has been replaced by three leaders stoking the flames of suspicion. Ongoing shifts in the regional order, as well as the recent flare-up in maritime security tensions makes it tempting for leaders to hunker down behind national walls and to lay blame for unwanted changes in the actions of neighboring countries rather than at home. Yet it is important to acknowledge that the recent tensions and expressions of cross-border animosity have powerful roots in domestic politics.

Prime Minister Abe has made no secret of his broad scale efforts to bolster national pride and to erase what he claims has been a postwar penchant for national self-abnegation and apology. Korean President Park has been wary for domestic political reasons of appearing too sympathetic to Japan since her father has long been criticized as a collaborator with Japan during the colonial era and as the man who signed away Korea's rights to official apology and reparations from Japan for 35 years of colonization. And surely the Abe administration's

31. Akio Takahara, "A Japanese Perspective on China's Rise and the East Asian Order," in Robert S. Ross and Zhu Feng (eds.), *China's Ascent: Power, Security, and the Future of International Politics* (Ithaca, Cornell University Press, 2008), pp. 220, 226.

efforts to rewrite the well-established historical record on sex slavery feeds Park's efforts. And anti-Japanese nationalism is undoubtedly helpful to President Xi in his attempts to consolidate his rule, crack down on CPC and other official corruption, deal with the slowing pace of economic development, erase the 'hundred years of humiliation,' and in the process improve relations with Korea while driving a potential wedge into the U.S. alliance with Japan.

The current situation of uncertainty and diminished cross-border trust and rising animosities may well be temporary. We may well see moves to reduce tensions as has frequently happened in the past. Yet the present situation poses serious risks. As governments jostle to ensure themselves the greatest possible influence over the regional order's evolving characteristics, the chances for inadvertent mishaps are high. Ships maneuvering for position in contested waters; aircraft scrambling to meet erstwhile challengers; military vessels attempting to spy on nearby military maneuvers and calculate how much is "routine," how much is "probing," or how much is provocatively "hostile;" top leaders refusing to meet; and the mutual exchange of nationalistic vituperations: all these are freighted with the serious danger of unwanted clashes or miscalculations. The risk of accidental and unintended military interactions will persist whenever emotions run high, leaders fail to meet, and military forces operate in close proximity. And rabid nationalism among the populace will make backing off from potentially tense security situations far harder. The central task facing political leaders across the region today is reducing the danger that such interactions will escalate into more serious and irreversible spirals into conflict.

In conclusion, let me underscore one final point: to date the evolving order in Northeast Asia shows little evidence of being determined by any theoretical teleology projecting inevitable conflict. Although the region is undergoing a power transition, the power of domestic politics and political agents to shape events, as noted throughout, should underscore that there is no inevitability to outright clashes and shooting wars. The experiences of eighteenth or nineteenth century Europe should not be ignored as one looks at Northeast Asia and the

power transition currently underway. But the cataclysmic predictions of power transition theory rest on a very limited number of cases under very different historical conditions. It is important to recognize that the future of Northeast Asia remains in the hands of today's and tomorrow's leaders to shape. This shaping can be done poorly or well. But the goals they pursue, and the actions they take to achieve them, will be the products of human free will, for the betterment or detriment of the region.

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Dilemma of South Korea's Trust Diplomacy and Unification Policy

Seong-ho Sheen

Taking office, President Park promised to take new initiative of trust diplomacy with its neighbors. Dubbed as '*trustpolitik*,' the policy has aimed to bring peace and prosperity on the Korean Peninsula and Northeast Asia by forging a higher level of cooperation among nations built on trust. President Park has emphasized a need to rebuild trust with the isolationist regime in Pyongyang and open up dialogue as part of her two-track North Korea policy. At the same time, President Park drew up a blueprint for the reunification of the two Koreas, describing it as a huge opportunity for the local economy to leapfrog to a whole new level. And she proposed on laying the groundwork for unification through economic exchanges and humanitarian aid in Dresden Germany in March 2014. But the problem is President Park's trust diplomacy is met with strong suspicion from Pyongyang who criticized South Korea's unification as a plot to instigate a regime change, if not collapse, in the North. As the tension and mistrust remains high on the Korean Peninsula, South Korea needs to make it clear that the policy priority is to ensure peace and stability between the two Koreas. At the same time, South Korea needs to recognize different priority of North Korean motives among security, well-being, and self-esteem in order to develop effective strategy to build mutual trust with Pyongyang. It needs to continue to engage Pyongyang to build mutual trust and stable partnership first to achieve an eventual peaceful unification.

Keywords: trustpolitik, Korean unification, Korea Peace Process, Dresden Declaration, Unification Committee.

Introduction

From the very beginning, President Park Geun-hye emphasized trust as the most basic element of her administration's engagement effort with North Korea. She suggested that her government would pursue more cooperation and dialogue with Pyongyang to build mutual trust on the Korean Peninsula which, she believes, is the foundation of the Korean unification. The unification initiative by the Park government is partly driven by the concern of North Korea's regime stability. For the moment, the young Kim Jong-un seems to have consolidated his leadership by following his predecessors' model of personality cult, public appearance, on-site inspections in combination with brutal rein over party and military elites. At the same time, there are continuing speculation about North Korean contingency and regime collapse. And South Korea's new unification efforts are partly driven by such concern. The Problem is South Korea's unification initiative tends to intensify North Korean suspicion and mistrust between the two Koreas. It is important for the South Korean government to prepare for any contingency on the Korean Peninsula. However, the government should not send any wrong impression that South Korea is wishing for contingency to absorb North Korea. According to some scholars, motives in security, wealth, and self-esteem are driving factors for trust building in international relations. In this regard, South Korea needs to recognize the different priority of North Korean motives among the three in order to develop an effective strategy to build mutual trust with Pyongyang. This paper first takes a look at the situations on the Korean Peninsula. Second, it will discuss President Park Geun-hye's trust diplomacy with North Korea. Third, the dilemma of President Park's unification policy and growing mistrust in Pyongyang will be discussed. Fourth, based on the theories of three different motives for trust building in international relations, it will critically assess the problems of South Korea's trust building initiative with the North Korean regime.

Two Koreas and Peace on the Peninsula

The geo-politics of Northeast Asia has undergone fundamental change in the 21st century that goes beyond the demise of the Cold War environment in the 1990s.[1] It is more fundamental in a sense that the change is as radical as the one that took place in the late 19th century when the traditional order revolved around China for several centuries, was overturned by the arrival of Western imperialism and the rise of Japan. The Korean Peninsula was as at the center of this power transition that took place some 100 years ago. And the Korean nation finds itself again at the center of the 21st century power transition today. Amidst growing concern of China's rapidly rising economic and military power, some pundits have warned that the rise of China will heighten tension and rivalry with surrounding countries, including the United States, aggravate the conflicts and disputes within the region, and eventually lead to a hegemonic war.[2] The present situation shares many similarities with that which prevailed in Europe shortly before World War I and II. Others, however, argue that the likelihood of a hegemonic war in Northeast Asia, like that which occurred in the late 19th century, is quite remote.[3] The relative stability of the geopolitical situations in Northeast Asia, however, could be seriously

1. In his latest book, Kissinger argues that the 19th century European balance of power politics is coming back to most visible in East Asia with the rise of China. Henry Kissinger, *World Order* (New York: Penguin Press, 2014).
2. Aaron Friedberg, "The Future of US-China Relations," *International Security* 30, no. 2 (Fall 2005), pp. 7-45; John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: W.W. Norton & Company, 2001), pp. 1-28, 360-402; John Mearsheimer, "The Gathering Storm: China's Challenge to US Power in Asia," *The Chinese Journal of International Politics* 3 (2010), pp. 381-396.
3. Stephen M. Walt of Harvard University has pointed out that no territorial ambitions by China, emphasis on economic development in the region, and nuclear deterrence makes the likelihood of a full-scale war between the world's superpowers remains low. Stephen M. Walt, "Good News: World War I is Over and will not Happen Again," *Foreign Policy*, February 8, 2013, http://walt.foreignpolicy.com/posts/2013/02/08/good_news_world_war_i_is_over_and_will_not_happen_again (accessed July 15, 2014).

disrupted by the lethal transformation of the North Korean threat. The totalitarian nature of North Korean regime based on its absolute reverence of Kim Il-sung and his family with armed provocations and continuing nuclear weapons program has never changed. Nevertheless, a series of recent events has resulted in elevating the North Korean threat to a new level. First, North Korea's successful launch of its long range missile followed by third nuclear test indicated deepening of its WMD capabilities and threats. Second, the rise of new and unproven leadership of young Kim Jong-un represents a new source of instability on the Korean Peninsula. The new two threats emerging from North Korea can be compared to the two sides of the same coin in terms of their close relationship to one another.

North Korea's third nuclear test, conducted on February 12, 2013, indicates that the North's nuclear capability has now reached a new level. Despite a lack of data to confirm the actual scale and characteristics of the nuclear test, it does appear that this latest round of tests was more advanced in terms of scale and capacity. Furthermore, if this experiment was made use of enriched uranium as assumed by many nuclear experts, North Korea's nuclear weapons capability has since moved beyond a mere symbolic stage.[4] The test, combined with the successful launch of a three-stage long-range missile in December 2012, has led many to conclude that North Korea has made significant steps toward becoming an actual nuclear power with both bomb and its delivery systems.[5] This is a landmark shift that not only alters the military balance between the two Koreas, but also the security landscape throughout Northeast Asia. North Korea's de facto nuclear

4. Siegfried Hecker, "What to expect from a North Korean Nuclear Test," *Foreign Policy* (February 4, 2013), http://www.foreignpolicy.com/articles/2013/02/04/what_to_expect_from_a_north_korean_nuclear_test (accessed May 22, 2014); Mary Beth Nikitin, "North Korea's Nuclear Weapons: Technical Issues," CRS Report to Congress (April 3, 2013).
5. John Harper, "USFK Chief: North Korea has Made Crucial Advance toward Nuclear Missile," *Stars and Stripes*, October 24, 2014, http://www.stripes.com/news/usfk-chief-north-korea-has-made-crucial-advance-toward-nuclear-missile-1.310175 (accessed October 25, 2014).

weapons state status could not come at a worse timing as Pyongyang's leadership is going through a critical transition for its own survival. The passing down of power from Kim Jong-il to Kim Jong-un has further enhanced the feudal characteristics of the North Korean system. In particular, the emergence of Kim Jong-un, as the North's absolute leader while still in his 20s, has raised numerous questions about the future viability of the North Korean system. Despite initial worries, the power succession to a third generation of Kims appears to have been carried out in a stable manner. No visible disturbances or power struggles have emerged within North Korea and Kim Jong-un appears to have quickly seized the reins of power. The successful carrying out of its long-range missile test and third nuclear test is expected to further solidify the political power base of young Kim Jong-un.[6]

Nevertheless, Kim Jong-un's lack of political experience, as compared to his grandfather and father, and the perceptions of him as an inexperienced leader wielding absolute power, have contributed to a sense of uncertainty for the future of the North Korean system.[7] The fundamental inability of the North Korean economy to show any sign of major improvement will only further worsen the inherent instability of the North Korean system over time. North Korea's nuclear program is expected to further derail the economic reforms that constitute the key to the survival of the North Korean system due to a strengthening of the sanctions imposed on the North by the international community. As such, the advancement of North Korea's nuclear capability has in essence become a tool to offset the weakness of the existing North Korean system. However, this situation has served to exacerbate a contradiction in which the economic survival of North Korea has been further eroded by the recent strengthening

6. Alexandre Mansourov, "Kim Jong Un's Domestic Policy Record in His First Year: Surprisingly Good," *38 North* (January 15, 2013), http://38north.org/2013/01/amansourov011613 (accessed June 15, 2014).
7. Zachary Keck, "In Asia, Fears of North Korea's Collapse Grow," *The Diplomat*, May 30, 2014, http://thediplomat.com/2014/05/in-asia-fears-of-north-koreas-collapse-grow (accessed June 15, 2014).

of its nuclear capability. A flurry of political, military, and economic consequences on the Korean Peninsula caused by instability or collapse of North Korea will be even more serious than the potential threat of North Korea's nuclear weapons.[8] The chaos that would result from a regime change, if not collapse of the North Korean regime will be the worst case scenario for the South as well as surrounding countries. The current state of North Korea is reminiscent of that of the Joseon Dynasty during the final days of the Daehan Empire, a time characterized by isolation and seclusion and a leadership power struggle to seize control from a vulnerable king. The competition between the surrounding powers to exert their influence over a chaotic Joseon, is in many ways not that different from the current power politics among the United States, China, Japan, and Russia over North Korean situation.

While today's nuclear North Korea might be doomed for an ultimate demise like the case of late 19th century Joseon dynasty, South Korea offers a very different story. The most vital difference between the Korean Peninsula of the 19th century and today is the remarkable ascension of South Korea's global capability and status. Although its geopolitical location assures that it is still surrounded by stronger powers, South Korea has now become the world's 15th-largest economy and the 12th-largest military power. The impressive quality of South Korea's national power is further enhanced when the qualitative strengths of the Korean economy and its military power are factored in. Along with being an advanced economy with a population of 50 million, and per capita national income of USD 20,000, South Korea is also the world's technology leader in such high-tech sectors and key industries as electronics, communications, semiconductors, automobiles, shipbuilding, steel, and construction. The Korean military is manned by an elite force of 600,000 troops that boasts high morale

8. Michael O'Hanlon, "North Korea Collapse Scenarios," *The Brookings Institution*, September 2009, http://www.brookings.edu/research/opinions/2009/06/north-korea-ohanlon (accessed June 10, 2014); Priya Sethi, "If North Korea Collapsed," *The National Interest*, July 14, 2014, http://nationalinterest.org/feature/if-north-korea-collapsed-10868 (accessed October 5, 2014).

and cutting-edge weapons systems. In addition to defending the Korean Peninsula, South Korea's armed forces have contributed to global peace and stability through its active involvement in peacekeeping operations in more than 20 countries since the first dispatch to the Gulf War in 1991.[9] Recently, the world wide *hallyu* (Korean Wave) boom, in the form of Korea's cinema, drama, and pop music, has served to markedly boost South Korea's soft power throughout the global community. The remarkable transition of South Korea within the past half century, which includes becoming the first nation to transform itself from an aid recipient to ODA donor today, with a mature democracy and its extraordinary economic advancement, has piqued the interest of many leaders in developing countries who seek to learn from Korea's success story.

The situation of the Republic of Korea thus differs greatly from the chaos and darkness that engulfed Joseon during its final days, and that of modern-day North Korea, a country devastated by its isolationist and oppressive policy. South Korea's successful hosting of such high-profile events as the Busan APEC Summit in 2005, G-20 Seoul Summit in 2010, and Nuclear Security Summit in 2012, have highlighted Korea's high-profile shift from the periphery to the center of the 21st century new international order.[10] This noteworthy development of South Korea means that it now has the capability and duty to play an active role in the promotion of the peace and stability of the Korean Peninsula and the world overall along with other major powers.

Maintaining peace and stability on the Korean Peninsula, as the most important priority of Korean diplomacy, will set the tone for defining the common interests and promoting cooperative diplomacy

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9. "International Peacekeeping Operation," Ministry of National Defense, Republic of Korea, http://www.mnd.go.kr/mbshome/mbs/mnd_eng/subview.jsp?id=mnd_eng_020300000000 (accessed September 28, 2014).
10. Lee Sook-Jong, "South Korea as New Middle Power: Seeking Complex Diplomacy," *EAI Asia Security Initiative Working Paper*, September 2012, http://www.eai.or.kr/data/bbs/eng_report/2012091211454078.pdf (accessed September 28, 2014).

with the four powers. The key factor behind the Korean Peninsula's peaceful situation is the maintenance of stable inter-Korean relations. South Korea's ability to show that it is making earnest efforts to stabilize inter-Korean relations will help to further bolster the status of South Korea as a responsible player on the Korean Peninsula, in concert with the surrounding powers. To this end, Korea ought to take the initiative to promote bilateral and multilateral efforts, together with the four powers, to stabilize the North Korean situation.

President Park's Trust Diplomacy

As the first female president elected in South Korea's modern history, Park Geun-hye faces, like most other leaders of major countries, tough policy challenges of addressing both domestic issues and foreign affairs. During her campaign, Park emphasized strengthening the social safety net for the poor and vulnerable in the midst of the global economic crisis and widening economic inequality. She promised a "second miracle on the Han River," by rejuvenating South Korea's slowing economy. Her policy will also pursue "economic democratization" in an effort to address the conglomerates' overpowering expansion at the expense of smaller businesses.[11]

As for foreign policy, President Park promised to take new initiative of trust diplomacy with its neighbors. Dubbed as '*trustpolitik*,' the policy has aimed to bring peace and prosperity on the Korean Peninsula and Northeast Asia by forging a higher level of cooperation among nations built on trust. Trust, a core value for President's Park's overarching political philosophy, is an indispensable asset to foster cooperation not only among individuals, but also among nations. Trust is defined as "an asset and public infrastructure for international cooperation without which sustainable and genuine peace is not achievable."[12]

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11. Presidential Candidate Park Geun-hye's Policy Briefing.
12. Yun Byung-Se, "Park Geun-hye's Trustpolitik: A New Framework for South Korea's Foreign Policy," *Global Asia* 8, no. 3 (Fall 2013), pp. 11-12.

Neither a utopian idealism that shies away from realpolitik nor a naïve political romanticism, *trustpolitik* comes from Korea's unique historical experiences as well as a hard assessment of the political realities on the Korean Peninsula and in Northeast Asia where trust deficit is most evident. As such the division and confrontation between the two Koreas still remain on the Korean Peninsula while North Korea's active WMD programs are complicating the nature of conflict in and around the peninsula. Building trust is also critical in addressing the "Asian paradox," which depicts the deepening imbalance between the increasing economic interdependence and backward political and security cooperation.[13]

Park's *trustpolitik* thus aims to solve two challenging security issues of inter-Korean rivalry and Northeast Asian rivalry. For this the Park administration pursues the Trust-Building Process on the Korean Peninsula and the Northeast Asia Peace and Cooperation Initiative (NAPCI). First, building trust was seen as essential element in breaking the past vicious cycle of North Korean provocation, compensation, and more provocation. The Trust-building Process on the Korean Peninsula will first ensure peace based on a firm and resolute security posture against any provocations from North Korea. At the same time, efforts will be made to promote the stable development of international relations. Instead of either easily accepting or helplessly enduring North Korea's self-indulgent behavior, it stuck to a consistent stance that Pyongyang has to respect international standards and norms and abide by its promises, or otherwise pay a penalty for broken promises. Second, building trust is also critical in addressing the security dynamics in Northeast Asia where the disparity between increasingly deepening economic interdependence and heightening conflicts surrounding historical and territorial issues seems to be intensifying. The NAPCI aims to transform the existing structure of mistrust and confrontation into one of trust and cooperation starting from building a consensus on softer, yet equally critical issues such as climate change, environment, disaster relief and nuclear safety. The

13. Ibid.

initiative seeks to gradually develop a habit of cooperation among regional players so that it may eventually contribute to addressing more serious security issues such as territory and history disputes.[14]

The Park administration sees the issues of the Korean Peninsula and Northeast Asia as intimately interrelated. The Trust-building Process on the Korean Peninsula and the initiative for peace and cooperation in Northeast Asia are expected to reinforce each other.[15] It says they have no illusion of building trust is easy. Trust cannot be built with only one side making the effort. In order to build more enduring and lasting trust, one party must clearly show the willingness to use robust and credible deterrence against breaches of agreements by the other party, while leaving open the possibility for constructive cooperation. And it requires time and patience to consistently apply principles of *trustpolitik* in the face of obstacles.

Trust-building Process on the Korean Peninsula

President Park has emphasized a need to rebuild trust with the isolationist regime and open up dialogue as part of her two-track North Korea policy. During the campaign, Park pledged to end the inter-Korean tensions that were prolonged under the hardline policies of her predecessor, Lee Myung-bak — a fellow conservative. During his five-year tenure, President Lee took uncompromising policy on North Korea's nuclear development, making denuclearization a priority over inter-Korean engagement. However, Lee's approach only invited an angry reaction from Pyongyang, which carried out two nuclear tests and three long-range missile tests since then. At the same time, inter-Korean tension reached a new height when the North Korean military sank a South Korean navy vessel and directed artillery fire at Yeonpyeong Island that killed a combined 50 South Koreans in 2010.

14. Ibid.
15. Ibid.

While promising a strong defensive posture and retaliation against North Korean provocations, Ms. Park called for dialogue and easing animosity with North Korean leadership. In order to do so, she emphasized trust-based diplomacy. Noting that a lack of trust has long undermined attempts at genuine reconciliation between North and South Korea, Park proposed that Seoul would adopt a policy of "*trustpolitik*," establishing mutually binding expectations based on global norms.[16] While Seoul must respond forcefully to Pyongyang's militarism and nuclear brinkmanship, it must also remain open to new opportunities for improving relations between the two sides. Trust could be built on incremental gains, such as joint projects for enhanced economic cooperation, humanitarian assistance, and new trade and investment opportunities. For this, proactive measures to enhance mutual trust were suggested. For example, humanitarian issues will be set apart from political issues, such as support for infants and the less-privileged in North Korea. South Korea will also expand infrastructure to improve North Korea's electric power, transportation, and communication networks, support North Korea's acceptance into international financial institutions, strengthen trilateral economic cooperation among South Korea-North Korea-China and South Korea-North Korea-Russia, help internationalize the Kaesong Industrial Complex, jointly develop North Korea's natural resources, and upgrade social and cultural exchanges. In order to push forward such working-level exchanges, Ms. Park suggested building an 'Inter-Korean Exchange Cooperation Office.'[17] To discuss these proposals, she also suggested holding an inter-Korean summit.

Yet, once elected, the new president soon found herself facing a more urgent challenge coming from Pyongyang — North Korea's nuclear test and military crisis. A week before Ms. Park's election in December 2012, North Korea successfully launched what they called a satellite rocket into orbit. Then, two weeks before Ms. Park's inau-

16. Park Geun-hye, "A New Kind of Korea: Building Trust Between Seoul and Pyongyang," *Foreign Affairs* 90, no. 5 (2011), pp. 13-18.
17. Presidential Candidate Park Geun-hye's Policy Briefing.

guration, North Korea conducted its third nuclear test in an underground facility. After the launch and nuclear detonation heightened tensions on the Korean Peninsula, Park's leadership and her agenda to revive inter-Korean dialogue became challenged. In her inaugural address, President Park called North Korea's latest nuclear test "a challenge to the survival and future of the Korean people" and said North Korea will be "the biggest victim." President Park also issued a warning to Pyongyang that she will "not tolerate any action that threatens the lives" of the people and security of the nation. Calling on the North to stop wasting resources on nuclear and missile development, the new president in Seoul pledged to "move forward, step-by-step, on the basis of credible deterrence to build trust between the South and the North."[18]

Pyongyang did not wait long before it fired back to its Southern counterpart. In early March 2013, the North's Committee for the Peaceful Reunification of Korea (CPRK) declared that "the DPRK abrogates all agreements on nonaggression reached between the north and the south." Furthermore, it "totally nullifies the 1992 joint declaration on the denuclearization of the Korean Peninsula."[19] In April, the North Korean authority suspended the operation in Kaesong Industrial Complex (KIC) by withdrawing all its employees. After months of negotiation, North Korea agreed to reopen the KIC in September. By the year's end with surprising execution of Jang Sung-taek, Chairman Kim's uncle and closest aid in December 2013, North Korea's authority concluded that President "Park's (trust) policy surpasses that of the Lee regime in its crafty and vicious nature."[20]

Tensions on the Korean Peninsula remained high as the South launched annual military exercises with the United States in February

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18. "Full Text of the 18th Presidential Inauguration Speech," *Korea Net*, February 25, 2013, http://www.korea.net/Government/Briefing-Room/Presidential-Speeches/view?articleId=105853.
19. "DPRK Says to Server Hot Lines with S. Korea, Nullify Non-aggression Pact," *Global Times*, March 8, 2013, http://www.globaltimes.cn/content/766845.shtml.
20. Aidan Foster Carter, "Will a 'Good Season" Ever Come?" *Comparative Connection*, CSIS, January 2014, http://csis.org/files/publication/1303qnk_sk.pdf.

2014, described by Pyongyang as a rehearsal for an invasion against the North. In March, in a pointed protest at the exercises, Pyongyang carried out a series of rocket and missile launches, capped by its first mid-range missile test since 2009. The two Koreas soon traded artillery fire across the tense Yellow Sea border in the following week, after the North dropped around 100 shells across the maritime boundary during a live-fire drill. The exchange followed a North Korean warning that it might carry out a "new form" of nuclear test — a possible reference to a uranium-based device or a miniaturized warhead small enough to fit on a ballistic missile.[21]

The problem is the fundamental gap between the North and the South regarding the nuclear issue. Pyongyang sees its nuclear program as the ultimate guarantor of regime survival against the U.S. military threat. For that reason, the nuclear issue should and can be discussed only with Washington. Seoul sees North Korea's nuclear program as its gravest national security threat. Seoul wants to discuss and resolve the nuclear issue once and for all with Pyongyang so that the two Koreas can facilitate true peace and reengagement. But, Seoul's desire to resolve the nuclear issue has been ignored by Pyongyang, who seeks only bilateral talks with the U.S. Yet, Washington has no intention of recognizing North Korea as a nuclear state, which is exactly what Pyongyang wants as it demands nuclear arms control talks with the U.S. North Korea's nuclear provocations have only invited more sanctions from the U.S., which makes nuclear negotiation more difficult. As expressed earlier, in her inaugural address, President Park called North Korea's latest nuclear test "a challenge to the survival and future of the Korean people" and said North Korea will be "the biggest victim." President Park also issued a warning to Pyongyang that she will "not tolerate any action that threatens the lives" of the people and security of the nation. Calling on the North to stop wasting resources on nuclear and missile development, the new president

21. Choe Sang-Hun, "North Korea Vows to Use "New Form" of Nuclear Test," *New York Times*, March 30, 2014, http://www.nytimes.com/2014/03/31/world/asia/north-korea-promises-new-form-of-nuclear-test.html?_r=0.

in Seoul pledged to "move forward, step-by-step, on the basis of credible deterrence to build trust between the South and the North." Unless either North or South Korea changes its position regarding the nuclear issue, the prospect of inter-Korean trust building remains bleak.

In April 2014, North Korea fired another 50 rounds of artillery shell near NLL and continued to provoke international community with launching its missiles in the following months. Experts believe that Kim Jong-un is not looking for a full-scale war with South Korea. The recent provocations may well be an attempt to consolidate his political position against growing populace contempt over worsening economic conditions. Pyongyang knows well enough that its old Soviet-style military forces are no match for the U.S.-South Korea combined forces. After all, the North Korean regime is not suicidal. But there is a growing risk of miscalculation. Kim and his military advisors may believe that their existing nuclear capabilities and missiles are sufficient to deter any meaningful retaliation from the South Korea-U.S. alliance. Young Kim's inexperience, combined with power competition among military generals to solicit the new dictator's favor, could trigger reckless provocations against South Korea. Even a small military provocation can easily escalate into a war on the Korean Peninsula, since South Korea, backed by the U.S., now has explicitly sworn retaliation beyond the level of the North Korean attack. More recently, Seoul has said it is considering military pre-emption if the threat is judged to be imminent. As such, the International Crisis Group, based in Brussels, issued an alert saying "in a worst-scenario, retaliatory responses to an accident during either side's military exercises or a deliberate military provocation could lead rapidly to war with potential first-day casualties in the hundreds of thousands."[22]

22. "The Korean Peninsula: Flirting With Conflict," *International Crisis Group*, March 13, 2013, http://www.crisisgroup.org/en/publication-type/alerts/2013/north-korea-the-korean-peninsula-flirting-with-conflict.aspx.

President Park's Unification Initiative

While advocating trust building with the North, President Park seems determined to revitalize unification agenda among increasingly skeptical South Korean publics. President Park's drive for unification came in early 2014. In her first official press conference in January, President Park drew up a blueprint for the unification of the two Koreas, describing it as a huge opportunity for the local economy to leapfrog to a whole new level. "(Re)unification is *daebak* [a jackpot],"[23] she said when a reporter asked for further details on preparatory measures for unification. "Some Koreans oppose (re)unification for fear the costs would be too high," Park said. "I believe (re)unification would be a chance for the economy to make a huge leap."[24] As an initial step toward thawing the frozen relationship between the North and South, Park proposed that during the Lunar New Year holidays later that month the two Koreas hold reunions of families separated by the division of the Korean Peninsula 60 years ago. "I wish that North Korea gets off on the right foot for inter-Korean relations with the reunions, thus forming a framework for the start of a new conversation," she said. In fact, a week before Park's remarks, North Korean leader Kim Jong-un signaled a new message to improve ties with Seoul in his New Year's address on January 1, in which he urged South Korea to take reciprocal measures to end the verbal attacks each side has repeatedly made against the other and work toward improving ties. However, the jackpot drive did not get much positive reaction from the North. North Korean weekly overseas newspaper, the *Tongil*

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23. The word "daebak" was initially translated as jackpot, but Cheang War Dae has officially translated the word as "bonanza," but "jackpot" is used for consistency with the citations.
24. She cited investment guru and commentator Jim Rogers, who has repeatedly expressed his willingness to invest in North Korea on the upbeat outlook that reunification will be realized in five years and a unified Korea will emerge as one of the strongest economies in the 21st century. Seo Ji-Eun, "Unification May be a Jackpot, Park," *JoongAng Daily*, January 7, 2014, http://koreajoongangdaily.joins.com/news/article/article.aspx?aid=2983129.

Shinbo, ran an article on the third page of its January 18 edition titled, "'Unification Like the Jackpot': What Is the Problem?" "The words of the leader of South Korea are not being admired; rather, they are facing the criticism and the ridicule of the Korean people," the article said. "Park's words are fueled by delusions about unification by absorption, by the hope for a sudden change in North Korea."[25]

Meanwhile, Park's drive for Trust-building Process on the Korean Peninsula took a new stage when she proposed laying the groundwork for unification through economic exchanges and humanitarian aid in Dresden Germany in March 2014. Noting Germany's unity as a model for a peaceful reunification, President Park urged the North to expand reunion of separated families and increase cross-border economic and cultural exchanges. She suggested that South Korea would invest in North Korean infrastructure building in transportation and telecommunication. For this, she proposed that the two Koreas would jointly establish 'inter-Korean exchange and cooperation office."[26] However, President Park's proposal for unification met with harsh criticism from North Korea who called it the "daydream of a psychopath". The North's powerful National Defense Commission (NDC) spokesman noted that German reunification came about with the West absorbing the East and accused Park of begging foreign countries to help a unification in which South Korea absorbed the North. He denounced Park's proposal, billed as the "Dresden Declaration" by Seoul, as "nonsense" full of "hypocrisy and deception." "The fact that in that particular place, Park Geun-hye lashed her tongue about (re)unification gave away her sinister mind," he said in a statement carried out by Pyongyang's state media.[27]

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25. Choi Hyun-Jin, "N. Korea Criticizes President Park's Comments Unification Being the 'Jackpot'," *The Hankyoreh*, January 21, 2014, http://www.hani.co.kr/arti/english_edition/e_northkorea/620709.html.
26. "Full Text of Park's Speech on North Korea," *Korea Times*, March 28, 2014, http://www.koreaherald.com/view.php?ud=20140328001400.
27. Park Chan-Kyung, "North Korea Blasts Reunification offer as 'Psycopath's Daydream," April 11, 2014, http://news.yahoo.com/n-korea-blasts-reunification-offer-psychopaths-daydream-031617683.html.

Despite negative response from the North, South Korean authority's drive for unification continued when President Park Geun-hye announced a much anticipated launch of a Unification Preparatory Committee in July 2014. "We have been preparing to start the committee since the announcement was made in February," Park said during a meeting with her aides at Cheong Wa Dae. "This committee will help bolster people's interest in the reunification, as it will explore ways to realize the much envisioned (re)unification." Park urged security and foreign affairs-related officials to prepare comprehensive measures to back up the committee activities. The committee is set to provide a basic guideline and analyze related sources in preparation for unification. Park called for more proactive efforts toward promotion of the national unification. "As addressed in Dresden declaration, the government is in the course of promoting inter-Korean humanitarian, economic, and cultural cooperation," Park added.[28] The committee would be headed by the President, composed of vice chairmen representing each government offices and private experts. At the same time, President Park said, "true peace can be achieved only under the solidified foundation of security, and a national defense should be top priority. We should establish a firm combat readiness to counteract against any kind of provocation from the North."

Dilemma of Pursuing Unification and Building Trust

In her inaugural speech, President Park said that her North Korea policy would incorporate the best aspects of both the 'principled' approach of her conservative predecessor Lee Myung-bak and the

28. Park came with the plan toward the committee as a blueprint that could prompt the unification. She proposed the initiative in her first national address in January. She described such plan as "bonanza" for the nation and "blessing" for neighboring countries. The organization now has the name, Presidential Committee for Unification Preparation. Choi Hyun-Soo, "Unification Preparatory Committee Due Today," *The Korea Times*, July 14, 2014, http://www.koreatimes.co.kr/www/news/nation/2014/07/116_160995.html.

engagement efforts of her progressive ones, Kim Dae-jung and Roh Moo-hyun. In doing so, she adopted trust diplomacy, dubbed as *trustpolitik*, in building a new relationship with North Korea. President Park emphasized that trust must be mutual and built up through a series of steps, from smaller and easier to larger and more difficult issues. To build mutual trust with North Korea, the Park administration suggested on economic and social exchanges as the first step to deepen mutual confidence between the two Koreas. At the same time, President Park placed great emphasis on maintaining a strong defense and deterrence against North Korea's military provocation.[29] Indeed, trust has been one of the most important values and principles that President Park often emphasized personally in her dealing with domestic politics and the people. President Park's focus on trust building as the most important basis for addressing inter-Korean tension and instability is shared by most experts. However, after two years of President Park's trust diplomacy with North Korea, there has been not much progress in building mutual trust between the two Koreas. In fact, Pyongyang seems to have grown increasingly suspicious of South Korea's real intention behind its trust diplomacy. In particular, President Park's drive for unification has only deepened mistrust between the two Koreas as the North Korean authority blasted the Presidential Committee for Unification Preparation as nothing but South Korea's efforts to instigate unification by force and war.[30] The dilemma is that the more South Korea emphasizes inter-Korean reunification, the more North Korea becomes suspicious and distrustful towards its southern counterpart.

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29. Gi-Wook Shin, David Straub, and Joyce Lee, *Tailored Engagement: Toward an Effective and Sustainable Inter-Korean Relations Policy*, Shorenstein APARC Policy Paper (Stanford University, 2014), pp. 19-20.
30. Lee Young-Jae, "North Korea Blasts the Unification Committee," *Yonhap News*, July 25, 2014, http://www.yonhapnews.co.kr/politics/2014/07/25/0511000000AKR20140725113800014.HTML (accessed September 22, 2014).
31. Henry Farrell and Jack Knight, "Trust, Institutions and Institutional Change: Industrial Districts and the Social Capital Hypothesis," *Politics and Society* 31, no. 4 (2003), pp. 537-566.

In social science, trust is defined as "a set of expectations held by one party that another party or parties will behave in an appropriate manner with regard to a specific issue."[31] And trust is built by repeated compliance with rules and established expectations for behavior.[32] According to Richard Ned Lebow, different theories focus on different elements of trust and cooperation in international relations.[33] Emphasizing the importance of international anarchy and security for states, realists posit that no one can trust others to support them when it endangers their security. At the same time, realists recognize that trust lies at the core of strategies to deter and compel certain behaviors of target countries. Communicating threat effectively and making enforcement credible are critical for successful deterrence. As for credibility, it depends on a reputation for defending past commitments as reputation is considered the principle source of trust.[34] For liberalists, states are motivated by wealth as well as security. Liberalists believe that institutions are the key to overcome anarchy and to build trust as a useful instrument for promoting cooperation among states. And often such institutions tend to be created and expanded more easily in economic and functional areas to become influential eventually in political issues.[35] Constructivists argue that domestic and international laws, symbols of social trust, are social phenomena deeply embedded in the practices, beliefs and traditions of societies.[36]

Following the constructivists' view, Lebow argues that cooperation and trust depend on the value structure of society. Meanwhile, individuals and their societies are motivated by security (realism), wellbeing (liberalism), and self-esteem (constructivism).[37] Security,

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32. Mark Suchman, "Managing Legitimacy: Strategic and Institutional Approaches," *Academy of Management Review* 20 (1995), pp. 571-560.
33. Richard Ned Lebow, "The Role of Trust in International Relations," *Global Asia* 8, no. 3 (Fall 2013), pp. 16-23.
34. Thomas Schelling, *Arms and Influence* (New Haven: Yale University Press, 1996), Books 1 and 6; Alexander L. George and Richard Smoke, *Deterrence in American Foreign Policy: Theory and Practice* (New York: Columbia University Press, 1974).
35. Robert Keohane, *After Hegemony: Co-operation and Discord in the World Economy* (Princeton: Princeton University Press, 1984).
36. Lebow, "The Role of Trust in International Relations," pp. 19-20.

wealth, and self-esteem are universal motives, but "their relative importance is culturally and historically specific." In other words, different societies and countries may have different priority in those three motives. And "each of these motives generates a different approach to co-operation and conflicts." As such, one must "map their distribution to explain and predict the extent to which trust among actors is likely to develop, as well as the specific ways in which it develops."[38] In particular, quest for honor and standing would be an important driver for those who put top priority on self-esteem.

Lebow's argument provides an important clue for understanding the dilemma of South Korea's trust diplomacy and unification policy with North Korea. First, North Korea's priorities among security, wealth, and self-esteem could be quite different from that of South Korea. Along with its focus on security vis-à-vis North Korean threat, South Korea's national interest has been largely driven by its quest for economic development over the past decades. In fact, most South Koreans put first priority on their economic well-being and social welfare, and security is deemed critical as a condition for pursuing stable economic growth. Meanwhile, despite, or because of, its worsening economic situation, North Korea has emphasized regime security as its first national priority. Especially after the demise of communist bloc in Eastern Europe in the early 1990s, it has pursued a military first policy with nuclear weapons development to ensure regime security. In March 2013, North Korea's Kim Jong-un government announced the new '*byungjin*' policy of parallel development of economy and nuclear weapons.[39] But, many believe that without giving up its nuclear program, North Korea cannot make any meaningful progress

37. Richard Ned Lebow, *A Cultural Theory of International Relations* (Cambridge: Cambridge University Press, 2008).
38. Lebow, "The Role of Trust in International Relations," p. 21.
39. Cheon Seong-Whun, "The Kim Jong-un Regime's "Byungjin" (Parallel Development) Policy of Economy and Nuclear Weapons and the 'April 1st Nuclearization Law'," KINU Online Series, April 23, 2013, http://www.kinu.or.kr/upload/neoboard/DATA01/co13-11(E).pdf (accessed December 7, 2014).

in economic development given its isolation imposed by tight international sanction against the regime. As such, there is a stark imbalance between South Korea's focus on economic well-being and North Korea's focus on regime security. As a result, President Park's emphasis on maintaining strong defense and deterrence against North Korea directly collide with North Korea's military first policy and its claims for legitimate nuclear weapons development. Besides, President Park's emphasis on building trust through economic and social exchanges is not much appreciated by Pyongyang whose first priority is yet to be given to economic wellbeing of the society.

Second, given its focus on security and wealth motives in dealing with North Korea, South Korea tends to ignore the self-esteem element of North Korea's motives. The problem is that self-esteem may well be the most important driver of North Korean society and regime. The North Korean regime is governed by a personality cult of the Kim family and '*juche*' ideology to support it. The Kim family has exercised absolute authority over North Korean society as a supreme leader. All North Koreans should follow the leadership with pride and self-reliant mindset under the banner of the '*juche*' ideology. The North Korean regime and society take utmost loyalty to its leadership as the most important priority. National honor and pride have become the most important values to its society. In other words, out of the three motives, North Korean society attaches high value to self-esteem. Any measure that appears to criticize the leadership is regarded as the most serious crime subjected to harsh punishment. As such, when some South Korean civic activists sent leaflets critical of the Kim Jong-un leadership, the North Korean authority accused Seoul for destroying inter-Korean relations and threatened the possibility of war.[40]

Third, South Korea's push for unification directly clashes with North Korea's two most important motives; security and self-esteem.

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40. Yi Whan-yoo, "Anti-NK Leaflets Could Disrupt High-level Talks," *Korea Times*, October 26, 2014, http://www.koreatimes.co.kr/www/news/nation/2014/10/485_166978.html (accessed December 7, 2014).

Even though President Park highlights peaceful unification, the basic assumption is that South Korea should take the lead in the unification process so that a unified Korea would be free and democratic with a market economy. For Pyongyang's authority, such a vision basically denies the legitimacy (self-esteem) of the current Kim Jong-un regime and envisions dissolution of the North Korean state (security). As a result, President Park's proposal for trust building does not sound so convincing and trustworthy to the North Korean authority.

In sum, despite the relevance and good intention of President Park's trust diplomacy toward the North, mutual trust between the two Koreas remains very weak and fragile. South Korea's engagement proposals centered on economic and social exchanges is not well received by North Korea as it focuses more on regime security and self-esteem of its leadership. President Park's unification drive only deepened mutual mistrust between the two Koreas as Pyongyang became more suspicious of South Korea's intention. South Korea cannot and should not follow North Korea's different distribution of priority among security, self-esteem, and wellbeing. Yet, it needs to recognize the difference, and should try to map their distribution to come up with the best strategy to develop trust with its counterpart in Pyongyang. In particular, South Korea should take North Korean priority on self-esteem into consideration in its trust diplomacy with North Korea.

Conclusion

The two Koreas need to talk again. And South Korea should take the lead. Park's personal background may provide a certain advantage in dealing with North Koreans. As North Korea went through its second succession from Kim Jong-il to Kim Jong-un, Ms. Park, the daughter of President Park Cheong-hee — a counterpart to North Korean founding father Kim Il-sung — carries certain weight with the North Korean leadership. During the height of the Cold War, the senior Park sent South Korea's spy chief, Mr. Lee Hu-rak, to Kim Il-sung in Pyongyang in the early 1970s. The meeting soon led to the first

North-South Joint Communiqué of 1972 on the peaceful unification of the Korean Peninsula. Indeed, President Park visited Pyongyang in 2002 as a national assembly woman and had a personal meeting with Kim Jong-il. Despite escalated tension with Pyongyang, the Park Geun-hye administration granted permission to a private organization to provide a humanitarian aid package to North Korea, keeping with her two-track policy regarding the North. According to the Ministry of Unification, the medical package would help treat some 500 patients in North Korea suffering from multi-drug-resistant tuberculosis. Kim Hyeong-sik, the spokesman for the ministry, said "We look forward to this measure to help build trust between the North and South." Lately, the North Korean authority sent their athletes to 2014 Incheon Asian Game in this fall. And the dramatic visit of the North Korea's three most senior officials to the closing ceremony raised high expectation of resumption of dialogue between the two governments. However, the much anticipated talk was stalled again as the North Korean authority angrily accused the Park government for staging smear campaign of slandering its supreme authority with leaflets. Another year of on-and-off inter-Korean dialogue passes by. And the Korean Peninsula remains unstable and dangerous place. South Korea needs to continue its effort to engage North Korea with its *trustpolitik*. As Winston Churchill said, "to jaw-jaw is better than to war-war."

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