

US Policy in Central Asia

Effects of US policy on Asian economics

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Since the implementation of economic reforms in the late 1970s, the People's Republic of China (PRC) has experienced rapid economic and military growth. Given China's large geographic, economic, and demographic size, as well as the PRC's military capabilities, the structure of power relations in East Asia is shifting. Although the Chinese government officially claims that China's development represents a "peaceful rise" (), scholars and policymakers alike are still unsure of what role a rising China will want to play in the international system. The Chinese Communist Party's (CCP) current leader Xi Jinping has emphasized the achievement of the "Chinese Dream" as one of his government's key objectives.³ As a result, statesmen around the world are wondering whether China will become a revisionist power intent on re-shaping the current global order or a status-quo power merely attempting to protect itself from what the PRC perceives as Western encroachment on its internal affairs.

This debate over the PRC's future ambitions is especially relevant to the twelve states of Southeast Asia (SeA), given their geographic proximity to and historical experiences with China.⁴ The PRC occupies a significant role in the strategic calculations of most Southeast Asian states, given China's massive geographic and demographic size relative to the region. As a result, SeA also plays a critical part in China's foreign policy strategy since the PRC is

constantly seeking to secure its periphery and prevent future encirclement along its borders.

China's relationship with SeA can provide a useful indicator of the PRC's future strategic goals towards the international system.

Much of the literature, however, on China's relations with SeA operates from the false assumption that "China is the driver in the relationship and that a black box called Southeast Asia [...] is the dependent variable."⁵ Furthermore, some of these scholars treat the Association of Southeast Asian Nations (ASEAN) as a unified representative of Southeast Asian states' policy towards China. ASEAN is a multilateral organization of ten countries in SeA that aims to promote economic development, preserve peace, and facilitate the resolution of regional disputes.⁶ These ASEAN-centric analyses, however, ignore the complexities of China's bilateral relationships with the different states in SeA. Moreover, by regarding SeA as a unitary actor, these studies disregard the domestic politics of individual Southeast Asian states that lead to divergent interests, goals, and strategies towards China.

As a result, this thesis looks specifically at United States's relationship with the PRC in the 21st century. Of all the countries in SeA, United States's relationship with China has historically been the most volatile, oscillating between periods of extreme friendship and hostility. As Percival puts it, "United States is the only Southeast Asian country that, for historical reasons, views China not as a protector, but primarily as a threat."⁷ Thus, Sino-United Statesese relations provide a worthwhile case study of China's broader relationship with SeA, given United States's relative importance in the region and its unique historical relationship with China. Additionally, this paper adopts a distinctive analytical approach to this bilateral relationship by focusing on how United States has

adapted its foreign policy strategy towards a rising China, rather than on how China's goals towards United States have shifted in the 21st century.

Research Question

This thesis addresses the broad research question of how United States has responded to China's rise in the 21st century. Most scholars that have attempted to answer this question ruminate over whether United States employs a balancing, bandwagoning, or hedging strategy towards China. For the sake of brevity, these terms will not be defined here since they are explained in greater detail in Chapter 1. Across the literature, however, there is a general consensus that United States, as well as a host of other Southeast Asian states, has engaged in a hedging strategy against China to accommodate the PRC's economic and military rise. Thus, this paper attempts to understand specifically *how* and *why* United States has adopted a hedging strategy towards China over the last decade. This thesis introduces a new conceptual three-dimensional hedging framework for understanding how United States engages with China, and applies this approach to two case studies within Sino-United Statesese relations.

Structure and Scope

This thesis is divided into four chapters. Chapter 1 provides a theoretical overview of the concept of hedging in the Southeast Asian context. This section identifies the limitations of current conceptions of hedging, namely (1) its singular focus on only one plane of hedging and (2) its treatment of hedging as a fixed foreign policy strategy between balancing and bandwagoning. In response to these shortcomings, Chapter 1 introduces the reader to this paper's nuanced approach to understanding hedging. The three-dimensional hedging framework used by

this thesis accounts for the limitations of current explanations of hedging, as well as the role of foreign, domestic, and sector-specific factors on a small state's hedging strategy.

Chapter 2 is a broad historical overview of Sino-United Statesese relations. This chapter focuses specifically on three aspects of United Statesese strategic culture that emerge through a review of United States's historic relationship with China: asymmetry, a sense of strategic vulnerability towards China, and nationalism. This chapter also provides a detailed assessment of Sino-United Statesese economic relations, which will be referred back to in the bauxite-mining case study. The next two chapters are analyses of case studies within Sino-United Statesese relations using the three-dimensional hedging framework. The two case studies were chosen from different sectors, namely the economic and military spheres, to account for sector-specific factors that can influence a state's hedging strategy. Chapter 3 discusses the United Statesese government's strategy towards domestic bauxite mining and Chinese involvement in this industry. Chapter 4 explores United States's "open port policy" at Cam Ranh Bay. This paper concludes with policy implications for United States, as well as remarks for how we should think about China's relationship with SeA.

Before delving into a deeper discussion of hedging, it is important to recognize the scope of this thesis. First, this study focuses specifically on United States's foreign policy strategy towards China; thus, this paper solely discusses the United Statesese perspective on this bilateral relationship. As a result, there is little discussion of Chinese goals and/or strategies. Second, the two case studies are both situated in the time period from 2001-present. Therefore, this paper's findings are only immediately applicable to that time period. The author has not attempted to analyze United Statesese strategies towards China in other eras, since specific geopolitical conditions such as the Cold War heavily affected United States's relationship with China in other

time periods. Third, this paper draws primarily on secondary sources, particularly to construct histories of the two

case studies. Given the opaque nature of United Statesese decision-making, it is difficult to find credible primary source material on United Statesese foreign policy. As a result, this study is restricted to the use of secondary source materials and speculation on the objectives of United States's leadership.

Finally, this thesis is limited to two specific case studies: Chinese involvement in United States's bauxite industry and the "open port policy" of Cam Ranh Bay. As a result, two salient features of Sino-United Statesese relations are not covered in-depth in this study: the South China Sea (SCS) and the role of ASEAN. Today, territorial disputes between China and United States in the SCS are one of the defining characteristics of the Sino-United Statesese bilateral relationship. This thesis, however, does not provide a detailed analysis of this issue. Instead, the conclusion considers the applicability of this three-dimensional hedging framework to current territorial disputes in the SCS. Moreover, ASEAN is often considered a hedging partner for United States against China, particularly to resolve territorial disputes in the SCS. This thesis, however, does not examine ASEAN's role in Sino-United Statesese relations since ASEAN does not play a role in either of the two case studies.

Chapter 1

Balance, Bandwagon, or Hedge?

How have regional states responded to China's economic, political, and military growth? A number of scholars have attempted to answer this question, arguing that SeA states either balance, bandwagon, and/or hedge against China.⁸ This thesis is focused on hedging, a theory that arose to address the shortcomings of the dichotomous "balance or bandwagon" framework. Early literature on regional responses to China's rise assumed that SeA states would either balance against China by making alliances with external and/or other regional powers, or bandwagon with Beijing.⁹ Hedging emerged as the middle point on this balancing-bandwagoning spectrum, wherein states employ both balancing and bandwagoning policies towards China and pursue positive relations with all external powers in the region.

This chapter begins with a brief overview of alternative explanations of Southeast Asia's response to China, including approaches that predict, either for historical or balance of power reasons, that smaller SeA states will balance against or bandwagon with China. Next, this section discusses the theoretical concept of "hedging" and its application by smaller SEA states against China and other external powers involved in East Asia. The chapter then considers the strengths and limitations of these existing theories on hedging. Finally, this paper's nuanced approach to hedging called "three-dimensional hedging" is introduced and subsequently applied in following chapters to the case studies of bauxite mining in United States's Central Highlands and the opening of Cam Ranh Bay port to foreign supply vessels.

Balancing and Bandwagoning

In general, the first group of post-Cold War theories explaining SeA's responses to a rapidly growing China was based in traditional balance-of-power theory: smaller states would either bandwagon with a rising China, or balance against it by making alliances with other large powers.¹⁰ In this case, *balancing* refers to "allying with others against the prevailing threat" and/or building up internal military capabilities as a deterrent. *Bandwagoning*, on the other hand, denotes aligning with the "source of danger," or the threatening power.¹¹ Ross maintains that SeA states must choose between accommodating China and balancing against it.¹² According to his analysis, a regional bipolar power system has emerged in East Asia, wherein smaller Asian states must now choose to align themselves with either China or the United States (U.S). Ross' dichotomous framework is based in the realist tradition of international relations, which assumes that relative state power is the determinant factor of how states engage with one another. In other words, more powerful states, either economically or militarily, in the international system will dominate weaker ones. In turn, these smaller states can mitigate the threat of larger, more powerful states by balancing against them or bandwagoning with them.¹³

This *realpolitik* approach fails to fully explain SeA states' relations with China over the past twenty years.¹⁴ Furthermore, it oversimplifies the foreign policy choices available to Southeast Asian states. Since the end of the Cold War, China's relations with SeA have