
Power Shifts in East Asia: Balance of Power vs. Liberal Institutionalism

Namrata GOSWAMI*

Abstract

With the rise of China, the East Asian regional order, so long dominated by the U.S. presence and by Japan, is undergoing major power shifts. Increasingly, China is becoming aggressive over its maritime territorial claims in the East China and South China seas. China-Japan relations are antagonistic and tensions are on the rise. As a result, Japan, along with South Korea and Vietnam, is not only seeking increased security guarantees from the U.S., but also seeking to establish defence partnerships with India to maintain the balance vis-à-vis Chinese assertiveness. This article offers an explanation of these power shifts in East Asia in particular and Asia in general by interpreting empirical data from the perspectives of two contending international relations theories: realism and liberal institutionalism. From a purely realist perspective, China will become even more aggressive in East Asia. Consequently, it is critical to form a countervailing alliance against its rising power. Meanwhile, liberal institutionalism argues that the international order is flexible and that international institutions and major powers

will accommodate the rise of China. Thereby, China would prioritize cooperation rather than conflict, as the least costly option in order to maintain its current state of development. In conclusion, the author argues that there cannot be a single way of managing major power relations. Instead, engagement and balancing go hand in hand and are necessary policy tools for states to deal with the power shifts in East Asia.

Key Words

East Asia, China, Japan, India, Power, Realism, Liberalism, Conflict, Cooperation.

Introduction

The focus of the world today is on Asia and its rising prominence in the world. As a result, countries within the region are witnessing a great deal of economic dynamism and political changes. In 2012, India surpassed Japan to become the world's third largest economy in Gross Domestic Product (Purchasing

* Dr. Namrata Goswami is a Senior Fellow at the United States Institute of Peace (USIP), Washington, D.C. and a Research Fellow at the Institute for Defence Studies and Analyses (IDSA), New Delhi. The views expressed in this article do not necessarily reflect the views of the IDSA or the USIP, which does not advocate specific policy positions.

Power Parity). China is already the world's second largest economy and is predicted to overtake the U.S. by 2030 as the world's largest economy. According to the National Intelligence Council's *Global Trends 2030*, Asia will surpass Europe and North America by 2030 in terms of GDP, population, technological innovations and military spending. The report also predicts that regional powers such as Turkey, Indonesia, Japan, Russia, etc., will play critical roles in shaping international politics in the next decade or so.

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East Asia, besides being one of the most vibrant economic regions in the world, faces the reality of declining Japanese economic power and increasing Chinese political and economic power.¹

This power shift dramatically changes the overall incentive structures and bargaining mechanisms in East Asia, given the fact the China and Japan have been historically antagonistic and have not resolved territorial disputes between them, especially over the Senkaku/

Diaoyu Islands in the East China Sea. The growing China-Japan tension is creating security dilemmas within the region. For one, it demands a larger and more visible security guarantee by the U.S. to its allies Japan and South Korea *vis-à-vis* Chinese power. For another, it increases the costs of visible military projections in East Asia by the U.S., as it results in rapid military modernisation by China to counter U.S. military presence, which in turn creates a security dilemma in East Asia. According to the *SIPRI Yearbook 2011*, China has already become the second largest military spender, with a total spending of US \$143 billion in 2011.² This has resulted in rapid changes within the People's Liberation Army (PLA), with a growing focus on rapid deployment and small military units based on the concept of 'jointness'.

The criticality of new alignments, regional tensions and changes in military strategy is highlighted in the 2010 Chinese *White Paper on National Defence*, which states that:

International strategic competition centering on international order, comprehensive national strength and geopolitics has intensified. Contradictions continue to surface between developed and developing countries and between traditional and emerging powers, while local conflicts and regional flashpoints are a recurrent theme... major powers are stepping up the realignment of their security and military strategies, accelerating military

reform, and vigorously developing new and more sophisticated military technologies.³

China is testing the regional reactions to its territorial claims over areas that are clearly disputed or within another country's sovereign territory.

Most significantly, the White Paper states that the PLA has undergone massive modernisation with a focus on joint operations and information warfare. The White Paper also states that border security is one of the most important tasks of the PLA and the Peoples' Liberation Army Air-force (PLAAF) under the supervision of the State Council and Central Military Commission. The stress here is on joint operational and logistical training by the military, police and civilian actors in the border areas.⁴ It is important to note that border security, territorial integrity and social stability are the most recurring themes in the official pronouncements of the Chinese regime.⁵ Internal stability, territorial integrity, harmony and unity (including reintegration of historically claimed Chinese territories) are intricately woven together throughout the Chinese National Papers on Defence.⁶

In East Asia these aspects of border security and territorial integrity have

played out in recent years. Given its growing power, China has become more aggressive and assertive about its claim over the islands disputed with Japan. Since September 2012 Chinese war ships and law enforcement boats have continued to cruise close to and patrol the disputed islands.⁷ The deployment of the Chinese navy, and most recently its air force loaded with air surveillance and radar flying low over the islands, signals a Chinese strategy of aggression in taking over the islands. These Chinese moves also openly challenge Japan's effective administration of the islands, which itself took a provocative dimension when in 2012 the Japanese government bought parts of the islands from a Japanese family.⁸ This move by Japan resulted in China's sending two Marine Surveillance Vehicles to the islands.⁹ China's navy then conducted military exercises in the East China Sea with 11 ships, and eight aircraft with marine surveillance equipment.¹⁰ Significantly, the Japanese narrative over the islands, which it unilaterally occupied in 1895, is that China started making claims to the islands only in the 1970s when it was discovered that the seabeds might hold rich oil and gas deposits. In effect, Japan argues that it has always held administrative sway over the islands.

These power shifts along with China's rise in East Asia is clearly reflected by

the fact that in November 2012, China's new microchip-equipped passports printed a map which showed the entire South China Sea, some areas in Taiwan, two regions in India, notably Arunachal Pradesh and Akshai Chin, as Chinese territory. This resulted in diplomatic tensions with the Philippines, Vietnam and India.¹¹ This act of provocation by China indicates that it is testing the regional reactions to its territorial claims over areas that are clearly disputed or within another country's sovereign territory.

Japanese provocations, by threatening to set up permanent Japanese coast guard bases on the disputed islands, could result in an aggressive Chinese response.

The dispute over territory, especially in the maritime domain, could lead to East Asian regional instability. The latest dispute with Japan, unlike the earlier disputes over Japanese prime ministers visiting Yasukuni Shrine, or over revisionist Japanese textbooks, is about a core Chinese interest: territorial integrity. Japanese provocations, by threatening to set up permanent Japanese coast guard bases on the disputed islands, could result in an aggressive Chinese response.¹²

Moreover, the most significant trend in East Asia is the growing nationalistic politics of Japan, which under a hawkish prime minister, Shinzo Abe, and the Governor of Tokyo, Shintaro Ishihara, who wanted to purchase the disputed islands himself, could lead to a more aggressive Japanese policy towards China over the disputed islands. There could also be growing Japanese domestic pressure on revising Japan's China policy, which so far has been accommodative of China's rise, to one of aggression. This could lead to conflict escalation, as both Japan and China are becoming increasingly nationalistic when it comes to issues of territorial integrity and sovereignty over the disputed islands.¹³

Against this backdrop, this article details the theoretical debates in international relations that throw light on this unfolding power shift taking place in East Asia in particular and Asia in general. These changes are occurring within an East Asian order that continues to be dominated by the United States. While there have been significant arguments that the United States is in decline and will limit its presence in Asia,¹⁴ skeptics are not too sure that the U.S. will decline in the near future.¹⁵ Still others argue that the United States' decline hypothesis is unwarranted.¹⁶ In fact, how the U.S. plays its role as the world's pre-eminent

power will determine the direction of international politics in the next 15 to 20 years.¹⁷ Already, the U.S.'s re-balance to Asia policy and its focus on the rise of China and its implications for Asia is the corner stone of U.S. policy towards the Asia-Pacific.¹⁸ However, while the U.S. will remain the most powerful nation, its dominance will decrease, especially in the economic and military spheres, and instead India and, especially, China 'is poised to have more impact over the world in the next 20 years than any other country'.¹⁹ These power shifts will play out in the East Asian regional order, thereby changing the strategic landscape to a large extent.

The Rise of New Powers

Indeed, the rise of new major powers such as China and India has ignited the realm of theoretical debate, with realism, liberal institutionalism and interdependency theories jostling for preeminence as the most plausible explanation to policymakers of the emerging reality. Classical realism and structural/defensive realism both argue that the most apt response to the rise of new powers is maximising security through a balance of power.²⁰ Alternatively, 'offensive realism' argues that states must maximise relative power through a policy of containment

and perhaps preventive war.²¹ The fear projected is that if China becomes an economic power, this would translate into military power. Great powers fear each other and always compete with each other for power. The overriding goal of each state is to maximize its share of world power, which means gaining power at the expense of other states; their ultimate aim is to be the hegemon—the only great power in the system.²² The logic follows that the U.S. wants no peer competitor. China's rise as a potential regional hegemon is therefore disconcerting to the U.S.²³ Meanwhile, liberal institutionalism argues that despite the anarchic nature of world politics among habitually self-serving states, international institutions and norms play a crucial role in mitigating warlike tendencies of states, due to the overarching principle of uncertainty, by providing a platform for exchange of views and for building a certain level of transparency with regard to a state's capabilities as well as its intentions.²⁴ Concurrently, an interdependency theory approach, based on institutional and economic interrelationships between major powers in an age of globalisation, argues that a win-win situation is possible by managing conflict and tense power relations.²⁵ Despite the unending quarrel between the contending theoretical schools of international politics regarding

matters of ideology and epistemology, facts demand an explanation to enable time-pressed policymakers to deal with a rapidly changing international reality. It is, therefore, pertinent for an assessment to be made of the present international scenario, especially in East Asia in particular and Asia in general, through the lenses of two contending schools- realism and liberalism- in order to make some sense of the bewildering and complex world around us.

Realism

International politics is dominated by the rule of 'self-help'. Unless states take care of themselves and maximise their power and/or security, being dominated by other more powerful states in the system is always a possibility. The systemic level of world politics is dominated by anarchy and power balancing. Though changes have occurred *in* the system, especially with the end of the Cold War, with the ushering in of a new world order dominated by U.S. primacy, if not hegemony, systemic qualities such as anarchy and self-help have yet remained constant. Since most changes are not *of* the system, but *within* the system, the international political system remains unaltered. Even the advent of nuclear weapons has not altered the anarchic nature of international politics.²⁶ Indeed,

neo-realism is a dominant stream of international relations theory, which has influenced both mainstream academic and policy debates on issues relating to power transitions and shifts in the global balance of power.

States rely for their security both on their own internal efforts as well as on alliances with others. Competition in multipolar systems is, however, more complex than in bipolar ones, and uncertainties²⁷ over the capabilities of coalitions are even more intense. Though it is often argued that realism is being transformed as democracy is spreading rapidly, and interdependency theory based on constructivist and liberal ideas holds sway, realists fault the democratic peace thesis, that liberal democracies do not fight each other, by suggesting that it does not pass the test of history.²⁸ The Wilhelmine German Empire appeared to be a model democracy, with universal male suffrage free press and elections, yet in 1914 it unleashed one of the most brutal wars on democratic France and the UK. Realists argue also that democracies had not fought each other earlier, not because of their democratic character, but because of the existence of a third party. For instance, France and the UK did not fight over Fashoda in 1898 due to Germany's balancing influence.²⁹ The structure of international politics is not changed by

internal changes within states. According to the realist school, due to the absence of an external supra-authority, a state cannot be sure that today's ally will not be tomorrow's adversary. Peace depends on a precarious balance of power, be it a circle of democratic or non-democratic states.

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Realists also fault the liberal idea that economic interdependence has the power to mitigate conflict. Despite being economically interdependent, Germany and Britain fought a long and bloody war. In fact, interdependence sometimes multiplies the occasion for conflict by creating misunderstanding and misperceptions. There also exists an asymmetric interdependence, with one state more dependent on the other than *vice versa*.³⁰ Interdependence, as with other aspects of international and national politics, creates a false sense of equality. The truth of the matter is that it is based on inequalities. Strong states such as the U.S. use it as an ideology to

hide the greater leverage it enjoys in any relationship. A key proposition derived from realist theory is that international politics reflect the distribution of national capabilities; another is that balance of power is always recurring, making it a constant feature. Unipolarity is just a temporary phase in international politics; it will soon be replaced by a balance of power. In the meantime, the realist points out that the most inevitable shift from unipolarity to multipolarity is taking place in Asia. The internal developments and external policies of China and Japan are steadily raising both countries' status to that of great powers in East Asia. 'China will emerge as a great power even without trying too hard so long as it remains politically united and competent'.³¹

Historically, states have been wary of changing power relations between themselves. Japan is currently experiencing increasing unease due to the steady rise of China and the modernisation of its three million strong army; as mentioned earlier, China and Japan also are conflicting over the Senkaku (in Japanese) or Diaoyu (in Chinese) Islands. Consequently, to alter the balance in its favour, Japan is being hard-pressed to enlarge its conventional forces and to add nuclear forces if necessary (offensive realism), to protect its interests and maintain a

relative power parity with China. In Asia, India, Pakistan, China, Israel, and perhaps North Korea already possess nuclear weapons capable of deterring others from harming their national interest. Balancing, however, is at times inexplicit among these states and the U.S. might play the role of a powerful offshore balancer to tip the balance in favour of its allies, most notably Japan in East Asia. Realists, however, fear that Russia might join the Chinese alliance buildup to balance the West's expansion into its earlier territorial domain in Eastern Europe. Structural theory and the theory of balance of power conclude determinedly that balancing is a strategy of survival in an anarchic international order. Balancing does not mean uniform behaviour among the states. Rather, it indicates a strong tendency of major states in the system, or in regional subsystems, to resort to balancing when they have to offset a threat emanating from the external structure.

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In this context, a few pertinent questions arise: What will be the nature

of relations amongst the emerging Asian nations? Will they emulate the fratricidal killings and devastating conflicts of an emerging Europe in the early to mid-twentieth century? There are deep-rooted fears that international politics is unchanging and that conflicts will always plague humankind.³² Despite arguments about the cultural differences of Asia in comparison with Europe, and the evolved informal networks between people in Asia creating situations for negotiation and compromise,³³ there is no historical metaphor to prove that the Asian century will be peaceful.³⁴ Unfortunately, the steps taken by each state to bolster its security, such as increasing defence expenditure, often lead to further insecurity. For instance, when China makes steady progress in modernising its armed forces, the U.S. views it as a threat to its predominant position in East Asia. Consequently, it raises its military support to South Korea and Japan. Japan also interprets Chinese behaviour as belligerent and modernises its conventional forces, including its air and sea military capabilities. This in turn creates paranoia in China about encirclement and motivates it to upgrade further its military capacity. It's the classic case of a 'security dilemma'. As a result, inter-state relations are often plagued by high levels of distrust, mutual suspicion, competition and conflict. Realists expect

that instability and distrust are the norms of international politics. However, the power transitional period is understood to be the most dangerous. This aspect was also referred to by the NIC *Global Trends 2025* report when it argued that the ‘next 20 years of transition to a new system are fraught with risks’.³⁵ This is because periods of accelerated economic growth and technological development typically result in major shifts in the military distribution of power. Fast rising powers such as China, realists argue, would inevitably challenge the legitimacy of treaties, international institutions in whose making it had no role, territorial settlements, and hierarchies of prestige. Worse still, policies of rapidly growing states such as China also appear threatening to other weaker states in the system, when in reality they might not have malicious intentions. As a result, they seek to counterbalance and contain a rising power.³⁶ Realists are extremely pessimistic about Asia’s rise because they regard this rise as being based on instability and conflict. Though great power conflicts on the scale of the World Wars may not be inevitable, shifting alliances, competitive diplomacy, arms races, and limited military engagement might occur to disrupt the peace.

There is also the realist assertion that China is dissatisfied with the present international order and, therefore, once

capable, intends to overturn it, by force if necessary. Significantly, China’s active diplomacy and economic growth are already transforming East Asia. The conclusions drawn from the rise in Chinese power are simple: first, China will reshape international institutions to its liking and to serve its national interests. Consequently, the present dominant powers in international institutions, such as the U.S. and Europe, will come to see China’s assertion as a threat to their position of primacy. According to power transition theory, the end result of such tensions will be increased distrust and, ultimately, conflict. China is usually seen as an outsider to the present international order dominated by liberal capitalist democracies; therefore, China is like an outsider attempting to break in by force, and on its own terms. The insiders either accept that or risk war in a nuclearised world order.

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A caveat to such assertions is in order here. Realist predictions such as these tend to forget that it was the U.S.

President, Franklin D. Roosevelt, who supported China's membership in the UN Security Council in 1944-45 as one of the big five permanent members, despite the opposition by the British premier Winston Churchill.³⁷ It was also the U.S. who created favourable conditions in 1972 for China to have the veto power in the UN Security Council, replacing Taiwan. The famous Henry Kissinger visit to China in 1971 and President Nixon's visit in 1972 are viewed as historic moments, which brought China back into the fold of the international system. The world may forget these incidents, but China is unlikely to do so for a long time.³⁸ In an interesting article, John Ikenberry argues that the rise of China in the present international order need not release tectonic shifts, as the order is flexible, open and integrative, and is not like impenetrable billiard balls.³⁹ Furthermore, nuclear weapons have made wars between states very difficult. Indeed, the promise of nuclear weapons is deterrence. Therefore, power transitions occurring in a nuclear dominated world order need not necessarily be conflicting or ravaged by war. It is also argued that since World War II, the U.S. has been able to establish universal institutions which not only facilitate existing great powers but also have enough room for rising powers to join them. Interestingly,

the U.S. is in a position to maneuver the international system in which China and India can make important strategic choices.⁴⁰ Scholars such as Paul Kennedy have also observed that world politics is marked by the succession of powerful states capable of organising the international system according to their preferences.⁴¹ However, offensive realists such as Mearsheimer are very doubtful of U.S. magnanimity with regard to China's rise. He argues that 'If China continues its impressive economic growth over the next few decades', 'the United States and China are likely to engage in an intense security competition with considerable potential for war.'⁴²

Realists also support strengthened Indian relations with Vietnam, Burma, Taiwan, Japan, South Korea and the ASEAN states as a balancer to the rise of China.

With regard to the rise of India, the country is a dynamic economy, which at present is the third largest in the world.⁴³ Significantly, in a major strategic gesture, India signed a civilian nuclear deal with the U.S. in July 2005, signaling a *de facto* recognition of India as a nuclear weapons state. In relation to its immediate neighbourhood, India has maintained

sustained influence in South Asia and has sought to counterbalance Chinese inroads right up to its borders in North East India by linking its strategic interests with the U.S. India faces vulnerable neighbourhoods, unlike China with economically vibrant neighbours, and therefore has a harder task.⁴⁴ Given India's growing clout, the U.S. is also looking towards India for a larger role in regional security matters. India has also been quite forthcoming in its China policy by aiming to build new strategic roadways in its eastern sector, especially in Arunachal Pradesh, and declared 2006 as the India-China friendship year. The year 2007 was declared as the India-China year of tourism.⁴⁵ Yet when it comes to India-China political relations, the balancing of convergent interests can sometimes get tricky. For instance, on the eve of President Hu Jintao's state visit to India in November 2006, the Chinese ambassador to India, Sun Yuxi, suddenly announced that China claimed the whole of Arunachal Pradesh, describing it as Southern Tibet. Although its rhetoric was toned down later, it is interesting to witness how Chinese assertiveness was wrapped around the extended hand of friendship to India. In May 2007, controversy reared its head again when an Indian Administrative Officer of the Arunachal Pradesh cadre was denied a Chinese visa on the basis that his

Arunachal roots rendered him a Chinese citizen. India consequently cancelled the visit of all 107 IAS officers to China for a mid-career training programme. Since 1 July 2006 India has had added concerns over Chinese road/train linkages from Qinghai leading right up to Lhasa, and its plans to build roads to the border of Nepal. Chinese road-building and military modernisation⁴⁶ have made India uneasy and has led to its forces in the eastern sector being augmented. China may also have hoped to tip India's balance, after the U.S. declared India as a responsible nuclear power with advanced nuclear technology, by creating problems in its eastern sector concerning Arunachal Pradesh.⁴⁷ When one reviews India's grand strategic thought, what emerges is that the realist school of thought in India, as well as those studying power transitions, argue that in an anarchic international order states have to take care of themselves. Moreover, interest, power and violence are intrinsic to international politics. Therefore, India with regard to China must rise to the reality of threat and counter-threat.⁴⁸ The lack of a supranational authority also forestalls the tragedy of balance of power, deterrence and war. The only way, therefore, to secure oneself is accumulation of military power and the use of force. Realists would argue against the possibilities of institutional

cooperation and economic exchange mitigating India-China differences. The only way to do so is through nuclear deterrence and military means. It must therefore try to encircle China through building alliances, most notably with the U.S.⁴⁹ Realists also support strengthened Indian relations with Vietnam, Burma, Taiwan, Japan, South Korea and the ASEAN states as a balancer to the rise of China. Realists also desire a strong Indian naval presence in the South China Sea and the East China Sea.

This realist strategy has been witnessed on the ground in East Asia and Southeast Asia. A three-year agreement on oil and natural gas exploration in the South China Sea was signed in October 2011 between India's state-run Oil and Natural Gas Corporation (ONGC) Videsh and Vietnam's PetroVietnam. In response, China's Foreign Ministry spokesperson, Jiang Yu stated that 'our consistent position is that we are opposed to any country engaging in oil and gas exploration and development activities in waters under Chinese jurisdiction'. She went on to stress that China enjoyed 'indisputable sovereignty' over the South China Sea and its islands. In fact, China's assertiveness with regard to the South China Sea was evident when it radioed an Indian Navy ship *INS Airavat* in July 2012 to leave 'Chinese waters' while the ship was making a trip in international waters near the South China Sea.⁵⁰

In response to this, India raised the ante by signing defence deals and establishing naval cooperation with countries such as Vietnam, South Korea, Japan and Australia, especially to guarantee 'freedom of navigation' in international waters. To be sure, China's recent assertiveness in India's eastern sector and the South China Sea is viewed by India as a display of Chinese power: a desire to maximise its share of world power, which means gaining power at the expense of other states in the system. Consequently, Indian prime minister Manmohan Singh and Vietnamese president Truong Tan Sang jointly committed to securing vital sea lanes of communication (SLOCs) [read South China Sea] during Sang's visit to India in October 2011.⁵¹ Vietnam's Deputy Chief of General Staff, Lieutenant General Pham Xuan Hung, also visited India in December 2011 and held talks with the Indian Chief of Naval Staff, Admiral Navin Kumar Verma, and the Chief of the Indian Army, General V. K. Singh.⁵² Most significantly, Vietnam has already accorded India the right to use its Nha Trang Port on the Western shore of the South China Sea.

India also decided to boost defence cooperation with Japan during the visit of its Defence Minister A. K. Antony to Tokyo in November 2011; ensuring the security of SLOCs was paramount in this

visit.⁵³ In 2012, Japan and India held the Japan-India Defence Policy Dialogue in Tokyo, in which the Japanese and Indian militaries participated in joint exercises. While joint naval exercises have been held in the past, this is the first time that the air forces of both countries held exercises.⁵⁴ Already, Japan is an integral part of the multilateral *Malabar Naval Exercise* in the Indian Ocean region between India, U.S., Australia and Singapore.

The most critical development between India and Japan was the first ever ‘Trilateral Dialogue’ held on 19 December 2011 in Washington D.C. between India, Japan and the U.S. to discuss a range of issues concerning the Asia Pacific.⁵⁵ This was a significant development for three specific reasons. Firstly, for the first time, it involves India, an Indian Ocean country, in Pacific affairs. Secondly, it indicates that concern over China’s assertiveness in the Asia Pacific is growing among the democracies in the region. Thirdly, it signals a shift in India’s policy from being wary of U.S. influence in Asia to directly engaging it in the format of a dialogue concerning Asia-Pacific issues.

To further cement that policy shift, India signed a five-year defence cooperation agreement with another East Asian country and a traditional U.S. ally,

South Korea, to enhance the ‘Strategic Partnership’ between them. This occurred during the ‘first ever’ visit of an Indian defence minister, A. K. Antony, to South Korea in September 2010.⁵⁶ The strategic partnership envisions exchange of military personnel, exchange visits of ships and aircrafts, and ensuring the safety of the SLOCs. Significantly, in December 2011, India and Australia committed themselves to ‘freedom of navigation’ in international waters, during the visit of the Australian defence minister, Stephen Smith, to India. Joint military exercises have been envisioned as well. In fact, the deepening India-Australia relations can be discerned from the fact that Australia briefed India on the U.S. plans to station 2,500 Marine Corps in Darwin, Australia, as part of the U.S. policy to re-engage in Asia.⁵⁷ All these strategic partnerships established by India with Japan, South Korea, Vietnam and Australia clearly indicate, from a realist perspective, a balancing strategy towards China in East Asia.

The Factor of ‘Power Transition’ in Realism

It must be noted here that power transitions need not necessarily be bloody. Take, for instance, the transition of power between the U.S. and the UK following the end of World War II: one

a rising power, the other at the end of its great power status. Moreover, a satisfied rising power would not question the international order facilitating its rise. It is indeed not surprising that the policy community is debating the possible consequences of the rise of new powerful nations, especially that of China. Adjudicating among the sternly defended positions in this ongoing debate is an impossible task, since academic and policy positions go well beyond existential facts to questions of political values and epistemology.

On the one hand, liberal institutionalists argue that China's rise is not going to disrupt the world order, as the existing international institutions are integrative and flexible. On the other hand, pessimistic power transition theorists presume that China is dissatisfied with the present international order and therefore will be aggressive.⁵⁸ Thus, policy analysts recommend George Kennan's famous policy of 'containment' of China, while others recommend 'encirclement'. It is thereby taken as a *fait accompli* that when the capabilities of the current primary power decrease, due to imperial overreach or otherwise, rising powers will demand

Unlike the European style of over-institutionalism, and structural and formal rules of communication, the East Asian way is to proceed more cautiously, informally, rather than in an institutional manner.

more say at the systemic level, producing tensions that may lead to war.⁵⁹ The power transition model of Robert Gilpin argues that the rise of new powers vindicates a steady decline of American power due to rapid technology transfers, trade and investments to the rising powers, such as China or India. With the erosion of America's power domains by China, it will become increasingly difficult for the former to preserve the world order it created in Asia during its years of predominance.⁶⁰

The most crucial phase for a fissure, therefore, is the 'crossover' stage during power transition. It is a dangerous stage when the present 'dominant' power may resort to preventive war to stop peer competition; the rising peer competitor may also become aggressive in order to assert its growing power on the world stage. Whether this is the situation with regard to China and the U.S. is hard to tell. To date, the U.S. is far ahead of China in military spending and hardware, and it is of benefit to them and to the whole world that they manage their relations. China is also perhaps aware that in terms of military capability it is far behind the U.S. It is also now

coming to light that assessing a country's power based on its Gross Domestic Product (GDP) is a deceptive indicator of a country's actual power potential. For instance, in terms of GDP growth rate, the GDP gap between the U.S. and China has narrowed from a 15 times difference in 1990 to a mere 5.5 times difference in 2005.⁶¹ However, when one considers other indicators of power, such as GDP per capita, China was at US \$5,445 in 2011-2012 while the US was at US \$48,112 during the same period.⁶² In regard to defence expenditure, the gap between the U.S. and China is enormous. The U.S. spent US \$711 billion compared to China's US \$143 billion in 2011.⁶³ The U.S. also possesses 50 times more nuclear weaponry than does China and 25 times more intercontinental ballistic missiles.⁶⁴ Therefore, the reality is that China does not have the capacity to challenge the U.S. in the near future, even though it may intend to do so, as the realist school would have us believe.

Liberal Institutionalism

Most liberals are great advocates of the democratic peace thesis, arguing that the industrial and democratic revolutions of the late eighteenth and nineteenth century unleashed forces that have been transforming the

character of international relations. The liberal case for genuine optimism about Asia avoiding a similar fratricidal war, which plagued most of Europe during its transitional phase, rests on democratisation,⁶⁵ interdependence, and the rise of the trading state *vis-à-vis* the politico-military state.⁶⁶

Taiwan's independent forces, on the other hand, may try to use China's need for international economic cooperation to trigger an overt move for independence under the U.S. umbrella.

Increase in wealth due to market economy has brought about immense benefits, bolstered by capitalism and free trade. These developments have simultaneously been accompanied by political rights. Nations whose people benefit from cross-border trade will have a strong incentive to resist war. Deepening of intra-regional cross-border ties will also go a long way in countervailing any incentive for conflict. The cost of war has also risen tremendously, with it making little logical sense to go to war when peace is the least costly option benefiting a nation's growth in the present interdependent global era. Institutions also play a major role as facilitators of an atmosphere for dialogue,

negotiations, discussions and dispute resolution, and in helping to establish rules of acceptable behaviour promoting cooperation. While institutions may not be completely successful in removing competitive security environments, yet they could mitigate some of its more dangerous effects, such as all-out-war, by bringing conflicting parties to the table. The example of the European Union is most often cited as a case of institutional capacity created for removing distrust among the former warring European nations.

Given the rise of Asia and possible Western resistance to its rise, India must build in concert with China and other major Asian countries and ensure that they do not come into mutual conflict.

Now, with regard to East Asia, realists argue that smaller nations in East Asia, such as Japan or South Korea, have developed enormous conventional superiority by upgrading their conventional weapons status. They are fully capable of defending against coercion from a potential regional hegemon. Japan has the technological prowess and financial capacity to develop its own nuclear weapons

and also its own highly sophisticated conventional weaponry. It can also develop ballistic missile defense in the near future with the help of the U.S. Indeed, Japan's response to the 'rise of China' is noteworthy, buttressed by the so-called rise of Japanese nationalism. Though Japan had previously thrown in its lot with the U.S. in order to balance against China, realists argue that Japan is not a weak power- it is the fourth largest economy in the world and hence capable of balancing China on its own. However, there is another story about China and Japan, which lends credibility to the liberal thesis. It was Japan who first supported the entry of China into the World Trade Organization (WTO), the discourse about Japanese extremism during World War II in China and the Chinese humiliation thesis notwithstanding.⁶⁷ Japan perhaps realises that engaging China in international economic institutions serves its interest, as this leads to a prosperous and stable East Asia – a very high priority for the Japanese national interest. Liberal institutionalist frameworks also account for Asian diplomatic networks based on informal lines: personal contacts that are far less structured and non-bureaucratic. Unlike the European style of over-institutionalism, and structural and formal rules of communication, the East Asian way is to proceed more

cautiously, informally, rather than in an institutional manner. Nonetheless, this does not negate the fact that violent conflicts did take place in Asia and that countries such as China, Vietnam and Cambodia have been ravaged by internal conflicts. Nevertheless, liberal institutionalism argues that China will take an active part in building institutions capable of cooperation, such as the East Asia Summit (EAS) and the Shanghai Cooperation Organisation (SCO), for economic benefits in East and Central Asia, and to project itself as a responsible power.⁶⁸ In this regard, Robert Keohane offers thought-provoking support for liberal

institutionalism. It is quite possible under conditions of anarchy that states may want to cooperate for mutual benefits instead of for maximising power. Institutions also guarantee to a large extent the possibility of more transparency of state behaviour in an anarchic world. In this context, China is benefitting from the present international order. Therefore, it would be eager to become further integrated if it sees no threat to its identity and existence as a state. The U.S. would also whole-heartedly support the integration of China into global

institutions, as it would also benefit from China's economic rise. According to liberal institutionalism, China is going to show restraint and cooperate with global partners to resolve disputes in the South China Sea, East China Sea, North Korea and Taiwan. Likewise, despite its desire for a blue-water navy and to secure SLOCs, China is willing to alarm neither the U.S., whose Pacific Command is nearby, nor Japan or Indonesia, with overt military gestures.

With internal institutions and practices, major powers aim to influence the processes of international institutions to reflect their choices and preferences.

Despite its aggressive assertion in 1992 that the Diaoyu Islands, Spratly Islands, Taiwan, etc., belonged to it, China changed its position in the mid-1990s and started

supporting institutional mechanisms for conflict resolution instead of doing it alone. Its relations with ASEAN have also improved since 1996, by supporting dialogue rather than confrontation. There are many skeptics about China's approach. It is often argued that China has been more accommodating because it lacks the capability to deter the U.S. militarily. It may be a strategy to 'buy time', and a stronger China may behave differently. The recent developments in China-Japan relations lend support to that perspective. However, according to

liberal institutionalists, this argument is merely speculative. With regard to Korea, the U.S. deployment in South Korea can be seen as a part of its game plan to be a balancer of sorts in the evolving strategic reality of East Asia. The realist theory would argue that the U.S. will try to maintain the *status quo* in East Asia, while China will try to change it. However, this is hyperbolic logic, according to liberal institutionalism. What is perhaps true is that, despite the U.S. playing the role of balancer, it will encourage economic cooperation between China, Japan and South Korea. It is also in China's interest to deter a nuclearised Korea, as that could lead to Japan going nuclear. Once North Korea goes nuclear, the dependence on the U.S. by nations such as Taiwan, Indonesia, Japan, etc. in the Pacific would increase. A peaceful Korea is also vital for economic cooperation, institutional growth and prosperity in East Asia. China's role in the four-and subsequently six- party talks over North Korea's de-nuclearisation, and the economic pressure it put on North Korea following the nuclear weapons explosion by the latter on 9 October 2006, are indicative of this aspect of China's interest. China has also shown astute diplomacy by developing ties with the Kuomintang (KMT) and People First Party (PFP) parties in Taiwan. According to Avery Goldstein, these could be steps

to develop within Taiwan favourable opinion of China. Taiwan's independent forces, on the other hand, may try to use China's need for international economic cooperation to trigger an overt move for independence under the U.S. umbrella. However, the U.S. has categorically stated that it does not support Taiwan's independence and even stalled efforts by President Chen for an independence referendum in March 2004.

Power is a zero-sum game, and any attempts to upgrade the standing of China and India would cost others some of their influence.

Interestingly, India's Nehruvian strategic thought falls in the category of liberal institutionalism. Despite believing in the anarchic nature of international politics, adherents of this school accept the proposition that international law, institutions, military restraint, negotiations, cooperation and free communication would mitigate conflicts. They argue that balance of power and war preparedness are futile, as they lead to the very conditions they aim to address, namely insecurity and conflict.⁶⁹ With regard to the rise of China, Nehruvians argue that China is not an imperial power and that it is

trying to come to terms with its hundred years of occupation in the 19th century following the Opium Wars. They also believe that China's desire to reunify Taiwan is justified, as it originally belonged to China. Given the fact that its Communist Regime has been able to uplift the Chinese people and elevate China to a great power status, China must be given its due share in the international order. With regard to India-China relations, Nehruvians argue that other areas of interaction must not be held hostage to the border issue. They state that since China and India do not have historical enmity, and are two great civilisations, there are many grounds for convergence. India and China's trade has increased considerably to US \$75.45 billion in 2012,⁷⁰ and both countries have a common interest in keeping Asia free of conflict. Given the rise of Asia and possible Western resistance to its rise, India must build in concert with China and other major Asian countries and ensure that they do not come into mutual conflict. With regard to ASEAN institutional convergence, New Delhi has signed a number of economic and military agreements with it. India is also an observer in the SCO, and a partner in the East Asian Summit and the African Union. The liberals argue that now, with the signing of a Free Trade Agreement with ASEAN,⁷¹ regional cooperation will

only contribute to mitigating tensions in Asia.

Limitations with Liberal Institutionalism and the Policy of Prestige

Major powers create institutions and international practices to suit their interests, which could be said to be major power practices to demonstrate their success as states. Similarly, with internal institutions and practices, major powers aim to influence the processes of international institutions to reflect their choices and preferences. They also dominate international institutions in order to control the flow of information and the outcomes of international policies. International institutions are also used to project their international images and further their own 'policy of prestige'.⁷² These are achieved by the projecting of military power, economic prowess, and value systems. Most international norms are born of major power discourses. Indeed, it is most likely that the present international order and institutions primarily project the prestige, values and preferences of the Western world. It appears that the European Union, which enjoys a privileged position in these institutions, is resisting the accommodation of India and China by global institutions, since

this would compromise most of its present decision-making powers. (Interestingly, there is a rule in the International Monetary Fund (IMF) charter that states its executive director must always be a European). Significantly, the 2006 National Security Strategy of the US reiterates that appropriate institutions, regional and global, must be built to make cooperation effective with rising powers. It goes on to argue that global institutions lose relevance when they do not correspond to present distributions of power. The UN Security Council is a case in point; the G7 is another. Power is, however, a zero-sum game, and any attempts to upgrade the standing of China and India would cost others some of their influence.⁷³ Unless international institutions accommodate new powers, the role of liberal institutionalism would perhaps be marginal in international politics.

States' Response to the Power Shifts

The dynamic shift in power status among the major powers, particularly in the 1990s, has created a situation of rapid changes in the systemic structure of international politics. Significantly, U.S. President Bill Clinton referred to China as a 'strategic partner' in his visit to China in 1998. This was

further intensified when the then U.S. Secretary of State, Colin L. Powell, while stating in January 2001 that China is a potential regional rival, did not fail to mention that as a trading partner of the U.S., China was willing to cooperate in areas where both countries' strategic interests overlapped. Perhaps the note has further changed with the strong influence of men such as Zbigniew Brzezinski who, unlike offensive realists such as John Mearsheimer who project China as a potential threat, argued to the contrary that China is neither a threat nor a strategic partner.⁷⁴ Indeed, in the emerging strategic context, powers such as Japan, the European Union, Russia, China, India, Brazil and South Africa have gradually but persistently pushed the world from a unipolar to a multipolar order.

Japan is also keen to improve relations with Russia to prevent both China and the U.S. from having too much influence in its policies.

Concerning how states respond, Japan is an interesting case. It has one of largest economies in the world in terms of GDP per capita growth. Japan's GDP per capita is US \$ 45,903.⁷⁵ Shifts in power relations have, however, put major emphasis on balancing and economic

integration as the state's two-faceted accommodation response. Though Japan and the U.S. view their alliance as a key point of their Asian policies since the 1952 U.S.-Japan treaty, the rise of China has complicated this relation. Each fears the other's getting too close to China. Chinese policy-makers have also become more sensitive to their own nationalist aspirations and historicity. The U.S.-Japan Security Treaty of 1997 has also created enormous tensions, as the 'surrounding areas' definition is seen by China to include Taiwan. The Diaoyu/Senkaku Islands dispute between China and Japan is another bottleneck. The U.S. has tried to remain neutral, though historically it has supported Japan.⁷⁶

Notably, Japan is also keen to improve relations with Russia to prevent both China and the U.S. from having too much influence in its policies. Japan and Russia have more or less resolved their dispute over the northern four islands. Amidst all these bewildering games of balancing, China and Japan have also worked hard to relieve tensions through visits by heads of states, starting with the Chinese president Jiang Zemin's visit to Japan in November 1998, followed by Japan's prime minister Keizo Obuchi's

visit in July 1999. Sadly, though, both countries have yet to build up trust by gaining deeper understanding of each other's domestic profiles. China must assess its fears of growing Japanese militarism, and Japan must critically analyse its view on China as a military threat. China must also stop pretending to be the only victim of wars, as it itself has had a strong militarist and expansionist history. According to Measheimer, Japan is not only balancing China's military potential with its own conventional military strength, but is also 'buck-passing' to the U.S. with regard to

nuclear deterrence.⁷⁷

With regard to conventional weapons, Japan is carefully upgrading its conventional military capability by having F-15s

and anti-submarine warfare capability. Japan, therefore, has a policy of both engagement and balancing.⁷⁸ North Korean belligerence with regard to nuclear weapons has also motivated Japan to acquire interceptor missiles in 2003 for a Sea-Based Midcourse Defence (SMD) system. China fears that ships loaded with SMDs could be used to defend Taiwan from future Chinese missile attacks. Pairing off U.S. strategic nuclear forces and Japanese

Russia is a strong swing state and not a rising power, and therefore not seen as a threat to the international order.

SMD capabilities has the potential of compromising China's strategic nuclear deterrence.

Hence, 21st century geopolitics is indeed that of a multi-civilisational multipolar world; however, the clash of civilisations that Huntington spoke about is missing in practice.

China and Russia's relationship in the SCO is also significant. Russia perhaps fears the eastward extension of NATO, and thereby wants to secure itself through the China connection. Joint military exercises, border patrols and Chinese purchases of Russian military hardware are on the rise. Russia is, however, a strong swing state and not a rising power, and therefore not seen as a threat to the international order. Its population decline is enormous and its landmasses near the Chinese border are being gradually taken over by emigrant Chinese. Russian oil diplomacy may also be counterbalanced by Europe's growing African oil reserves and the U.S. shale gas revolution. In South America, despite Hugo Chavez's populist anti-Americanism, in real terms it is Brazil that is taking the lead in regional matters: it has a strategic alliance with China following the Cold War; it has joined India and South Africa for trade negotiations; it wants to build a Transoceanic Highway

through Peru to the Pacific Coast to facilitate Chinese ship tankers.⁷⁹ Chinese diplomatic sophistication has, however, been best seen with Iran, supporting sanctions against nuclearisation by the UN; establishing strong oil connections, as well as creating a path towards Iran's dependency, of sorts, on China by signing a multi-billion dollar contract for natural gas in Iran's North Pars Field, one in the Caspian Sea and another to develop Tehran's metro. Therefore, despite Western sanctions, Iran will survive because of China. As for America's own backyard, it appears that China is investing heavily in countries such as Canada, Cuba and Venezuela, and there is even talk of a pipeline from Brazil to China. Africa is also witnessing enormous Chinese investments. Interestingly, it is increasingly felt that given the current status of prosperity, no state in these economic zones wants a crisis. By extension, the realists' fear of global conflict is unwarranted.

According to liberal institutionalism, China's desire for a peaceful international environment is real. It has been increasing foreign direct investments and is establishing international arrangements all over the world. It has also promoted the concept of an East Asian community and improved relations with the European Union, Russia, and India. It has emphasised the role of the United Nations in international issues. Hence,

21st century geopolitics is indeed that of a multi-civilisational multipolar world; however, the clash of civilisations that Huntington spoke about is missing in practice. Rather, it is market logic that is riding the crest.

A Few Policy Pointers Based on the Theoretical Overview on Power Shifts

Realism's Policy Pointers

1. Continued U.S. presence in East Asia could lead to confrontation between the U.S. and China.
2. States in the region may join China's bandwagon, and not really balance, which could lead to peace. However, balancing seems the more plausible policy option for both weak and strong states in East Asia.
3. The intervention by the U.S. in 1996 at the Taiwan Straits and a strengthened U.S.-Japan alliance are a few such trigger points against balancing China.
4. States, especially in fearing a rising power's intent, may try to balance with help from an existing dominant power. These balancing alliances could include: Japan and South Korea along with the U.S. against China; Pakistan against India by forming an alliance with China and the U.S.;

India along with the U.S. against China, and notably against Pakistan; ASEAN along with the U.S. against China. These balances would also bring forth conflicting relationships, such as forming closer economic relations with China and balancing against too much U.S. influence by ASEAN. ASEAN will also try to upgrade its relationship with India for an economic and strategic balance against China in the region.

5. Russia would form an alliance with China against NATO's expansion and U.S. primacy. It would also form a partnership with India to minimise Chinese influence.
6. War or overt conflict is ruled out, despite the balancing acts, due to the presence of nuclear weapons. It is next to impossible for states to engage in such folly with nuclear countries such as China, India, Pakistan, Israel and the U.S. in the region.
7. There may be great power tensions in the future over scarce resources.

Liberal Institutionalism's Policy Pointers

1. The globalisation of the world economy based on neoliberal policies has changed the face of the world.
2. Interdependency in economic relations has made wars too costly.

3. Regional institutions, such as SCO, ASEAN, EU and EAS, etc., along with the UN, have the potential to mitigate conflicts.
4. Rising powers such as China and India will not become aggressive because they benefit from the international order.
5. The West led by the U.S. and an economically powerful EU will make provisions in international institutions to accommodate India and China, as such a move benefits their own national interests.
6. Liberal democracies do not fight each other.

Conclusion

Perhaps Asia enjoys political judgment as mentioned in Isaiah Berlin's famous essay where he argued: 'Obviously what matters is to understand a particular situation in its full uniqueness, the particular men and events and dangers, the particular hopes and fears which are actively at work in a particular place at a particular time: in Paris in 1791, in Petrograd in 1917, in Budapest in 1956, in Prague in 1968, or in Moscow in 1991.'⁸⁰ Therefore, what will matter are the particular men and women, events and dangers, hopes, and fears that

determine the course of events today. It is indeed tragic that, despite its wealth and prosperity, Europe nearly threw everything away in fratricidal killings and devastating ideologies, which arose out of progressive democracies such as the Wilhelmine Germany. There is, however, hope that the march of the present Asian century will not repeat the follies of Europe's past.⁸¹ But, can one possibly place so much trust in humankind's capacity to learn from past mistakes. Perhaps not! That is why the theoretical debates have serious consequences in policy making, since choices of foreign policy behaviour are made from these. Additionally, perceptions about a country's intentions and capacities matter in international politics, and foreign policies are mostly wrapped around them.⁸² Though offensive realism couched in zero-sum terms would argue that one power will inevitably rise at the cost of another, interdependency theory buttressed by liberal institutionalism indicates that great power relations can be managed without breaking out in devastating war. What is important in the end is that we do not have a singular way of managing great power relations; engagement, bandwagon and balance go hand in hand, and are necessary policy tools for states to deal with an ever more anarchic international order.

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