PLAYING NICE:
THE COSTS AND CONSEQUENCES OF CHINA’S REASSURANCE
STRATEGY IN SOUTHEAST ASIA

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Introduction

China’s much improved relationship with the countries of the Association of Southeast Asian Nations (ASEAN) since 1998 is generally recognized as an important success for Chinese foreign policy.\(^1\) Before the late 1990s, China’s overtly aggressive actions in the South China Sea and its unwillingness to engage the region on a multilateral basis led to mistrust and fear on the part of many Southeast Asian governments. Beijing’s diplomatic offensive in 1997 to pressure ASEAN nations to sever their “Cold War-era” alliances and security relationships with the United States provoked further fears in the region that Beijing sought to disrupt the regional status quo.\(^2\) Such actions collectively began to give rise to the perception of a “China threat,” felt most acutely by China’s rival claimants to territory in the South China Sea, but also by other ASEAN nations that began to draw a connection between China’s rapidly expanding economic and military power and its increased willingness to unilaterally assert its interests.\(^3\)

Since the late 1990s, however, China’s policy toward Southeast Asia has shifted from one based on assertive behavior and skepticism toward regional institutions to a more accommodating approach based on active participation in ASEAN-based fora and a willingness to undertake actions that give the appearance of embracing Southeast Asian diplomatic norms. As a sign of this new approach, China in December 1997 joined with ASEAN to form an “ASEAN+1” forum, and with ASEAN, Japan, and South Korea to

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\(^1\) The current members of ASEAN are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.


form “ASEAN+3.” Beijing has used its participation in these regional organizations to increase high-level contacts between Chinese and ASEAN officials, negotiate political and security agreements, advance economic initiatives, and generally present a more benign image of itself to the region. These efforts have helped China alter regional threat perceptions; experts generally agree that most ASEAN governments today view China’s growing role in Southeast Asia more as an economic opportunity than as a military threat.4

This study will examine the origins, characteristics, limitations, and possibilities of China’s reassurance strategy in Southeast Asia. Although the strategy has resulted in a significant easing of tensions and increased levels of cooperation between China and ASEAN, important questions about this aspect of China’s foreign policy remain. The primary questions I seek to address are: Why did China change its policy towards Southeast Asia? What are the main features of its current reassurance strategy towards the region? To what extent has China incurred costs in carrying out this strategy? And are these costs likely to (or have they already) convinced ASEAN nations that Beijing’s intentions are indeed benign?

Given the increased interest—and in some cases alarm—expressed by US policymakers, scholars, and commentators over China’s rising influence in Southeast Asia, this topic is an important one. Some skeptics claim that the United States is “losing” Southeast Asia given its narrow focus on counter-terrorism and a perceived unwillingness to engage the region in a serious way.5 Others suggest that recent Chinese

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gains in the region are both significant and sustainable and could ultimately contribute to China’s rise as a regional hegemon. Even studies that acknowledge that the US ability to secure key interests in Southeast Asia remains strong seem to suggest that the “balance of influence” in the region is gradually shifting in China’s favor. At present Beijing may not be able or willing to confront the United States in the region militarily, but for some observers the increased deference and accommodation ASEAN nations have expressed toward China point to a direct, if subtle challenge to the US position in Southeast Asia.

The extent to which China has incurred costs in its efforts to reassure Southeast Asia is important for assessing the strategy’s perceived credibility. In his study of trust and reassurance in international relations, Andrew Kydd argues that reassurance depends on the sending and interpretation of “costly signals.” Costly signals involve risks to the sender and therefore help the receiver distinguish between “untrustworthy” and “trustworthy” actors. The greater the risks an actor is willing to accept in sending costly signals, the more likely it will be perceived as trustworthy and have its cooperative gestures reciprocated. Signals with little risk or costs involved for the sender will likely be dismissed as “cheap talk” and will fail to reassure.

Contrary to what Kydd and others would expect, I hypothesize that China has followed a “low-cost” reassurance strategy and that this strategy has been sufficient to reassure Southeast Asia in the near to medium-term that its intentions are benign.

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9 Ibid.

ASEAN nations have responded favorably to China’s strategy not because the strategy has been particularly costly for Beijing, but rather despite the fact Beijing has incurred few costs. This seems to go against Kydd’s basic argument that signals must be adequately costly to successfully reassure.

If my hypothesis is correct, then I expect to find evidence that China has not incurred significant costs in carrying out its reassurance strategy. Such costs could include constraints on the use of force, economic costs that undermine the regime’s ability to secure national development goals, or the compromise of important principles such as sovereignty and territorial integrity. The less China’s reassurance signals have been based on these types of costs, constraints, and compromises, the stronger the support for my hypothesis.

If I find that China has indeed incurred significant costs in its effort to reassure Southeast Asia, then my hypothesis would lack strong empirical support. Such a finding would be consistent with Kydd’s argument that costly signals are the basis of a successful reassurance strategy. It would also suggest that China is succeeding in achieving not only a negative goal of dispelling notions of a “China threat” in the region, but also a positive goal of building a reputation as a trustworthy actor. If China’s reassurance strategy is based on costly signals, ASEAN will be more likely to perceive it as committed to cooperative relations over the long-term and thus less likely to pursue internal or external balancing policies detrimental to Chinese interests.

This study proceeds as follows. Section I reviews the concept of reassurance in the international relations literature to place China’s current strategy in a broader theoretical context. Section II explains the definitions and metrics used in the study,
including the operationalization of “high-cost” and “low-cost” reassurance. Section III examines the strategic logic of China’s reassurance strategy and how it ties into Beijing’s broader foreign policy objectives. Section IV examines three dimensions of China’s reassurance strategy—multilateral engagement, confidence-building measures, and economic reassurance—and shows how China has used these tools to reduce fears and enhance cooperation in the region. Section V analyzes the success of China’s reassurance efforts and Section VI examines the costs China has incurred in carrying out its strategy. Section VII presents alternative explanations for why China’s low-cost reassurance strategy has largely succeeded. The eighth and final section assesses the implications of the study’s findings for Chinese and US influence in Southeast Asia and the broader East Asian balance of power.

I. Literature Review

The concept of reassurance has been an important topic of scholarly inquiry in the field of international relations (IR). The term usually refers to actions taken by one state to reduce suspicion, strengthen cooperation, and build trust with another state with the aim of “reducing the likelihood of a threat or use of force.” An examination of various studies on reassurance in IR reveals three rough categories into which these studies can be grouped: (1) those that focus on a state’s strategic motivation for pursuing reassurance, (2) those that examine foreign policy “signaling” and reassurance, and (3) those that focus on the substantive features of reassurance strategies. These groupings are subjective and by no means mutually exclusive, but they do provide a reasonable means of

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understanding some of the distinct areas of emphasis in the scholarly treatment of reassurance.

*The Strategic Logic of Reassurance*

The first category of studies on reassurance emphasizes the strategic logic of pursuing reassurance. Scholars such as Stephen Walt, Michael Mastanduno, and Paul Midford argue that strong states (whether they are rising powers or reigning hegemons) have an incentive to reassure weaker states because doing so can help reduce uncertainty over the strong state’s intentions.\(^{12}\) Walt argues that perceived intentions are especially important because of their role in influencing whether or not one state or group of states balances against another. States that are perceived as aggressive “are likely to provoke others to balance against them” while states that convey “restraint and benevolence” can avoid this outcome.\(^{13}\) Mastanduno similarly argues that policies that signal “accommodation and reassurance” can help powerful states build an increasingly benign reputation and guard against a backlash from weaker states that might otherwise fear them.\(^{14}\) A rising power in particular has a keen interest in reassuring other states as the formation of a balancing coalition arrayed against it would hinder the growing state’s rise in the international system.

A brief consideration of the security dilemma helps illustrate why reassurance is a rational policy for a rising power to adopt. As explained by Robert Jervis in his important

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\(^{13}\) Walt, *The Origins of Alliances*, pp. 25, 27.

\(^{14}\) Mastanduno, “Preserving the Unipolar Moment,” p. 320.
elaboration of the concept, the security dilemma begins when country A pursues military capabilities meant to strengthen its ability to defend itself. As country B observes this build-up, it cannot assume that the acquisition of new capabilities by country A is necessarily benign, and hence it responds by amassing its own capabilities to protect itself. For Jervis and other neorealists, this response is rational in an anarchic international system where states must rely on themselves for security and survival and can never be certain of another state’s future intentions. The structure of the system thus drives the fundamental dilemma: although country A may desire nothing more than to increase its own security through the acquisition of improved defensive capabilities, uncertainty over its intentions causes country B to pursue its own defensive policies that may ultimately leave A less secure. Even when actors are primarily security-seekers, the security dilemma frequently leads to arms races and an increased probability of war.

If it is rational for one state to respond to another’s defensive build-up with an arms build-up of its own, it is also rational for the first state to prevent this outcome by reassuring others that its capabilities are for purely defensive purposes and not directed against any other state. In this manner, a state can attempt to “break out” of the security dilemma by clarifying its preferences and identity as a status-quo, security-seeking actor. A rising power should be particularly attuned to the rationale of breaking out of the security dilemma since it is this type of state that tends to cause the most fear and

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uncertainty in the system.\footnote{On the impact of rising powers in the international system, see Dale C. Copeland, \textit{The Origins of Major War} (Ithaca, NY: Cornell University Press, 2000). For the “power-transition” perspective of rising powers, see A.F.K Organski, \textit{World Politics} (New York: Knopf, 1958).} For a rising power then, policies of reassurance can be used to reduce the likelihood of arms races or military conflict that could complicate its rise.

\textit{Signals and Reassurance}

The second and perhaps broadest class of studies on reassurance in IR deals with the gestures and signals one actor can send to reassure another. One of the earliest such works on this topic was Charles Osgood’s seminal study on the potential for building trust between the United States and Soviet Union.\footnote{Charles E. Osgood, \textit{An Alternative to War or Surrender} (Urbana: University of Illinois Press, 1962), pp. 85-134.} Focusing on the mistrust that prevented the superpowers from moving beyond a fear-based reliance on nuclear deterrence for security, Osgood proposed a Graduated Reciprocation in Tension-reduction (GRIT) strategy as a way to facilitate cooperation. The GRIT strategy was premised on the need for one state (in Osgood’s study, the United States) to take unilateral initiatives that signaled to the other state (i.e., the Soviet Union) a willingness to cooperate. Osgood argued that these gestures would gradually “induce reciprocation” by the other side and generate a spiral of ever-increasing cooperative behavior between the actors. For Osgood, even when the initial levels of suspicion and mistrust were high, small cooperative gestures could open up the way for deeper levels of cooperation and trust-building.

Robert Jervis’s pioneering work on “images” in international relations was one of the first to explore the importance of “signaling” in a state’s foreign policy. In his study, Jervis defines signals as any set of statements or actions issued by one state to “influence
the receiver’s image of the sender." The meanings of signals—which can include diplomatic statements, military maneuvers, and signing or breaking a treaty—are generally established by tacit or explicit understandings among the actors. Most signals, however, do not contain “inherent credibility” and receivers will look for additional clues to assess whether a signal accurately reflects what a sender will do in the future. For Jervis then reassurance is difficult because signals can be “as easily issued by a deceiver as by an honest actor.”

Jervis also argues that states must contend with certain “restraints on lying” as they send signals of reassurance. These restraints make deception both difficult and potentially costly. Of these restraints, one of the most important restraints is the need to maintain a reputation for “issuing accurate signals.” In the context of reassurance, an actor’s reputation for sending accurate signals is critical for building-trust over the long-term. Since trust among nations (like trust in interpersonal relations) is difficult to gain and relatively easy to lose, an actor pursuing a reassurance strategy has an incentive to send signals honestly. Indeed, the more time, resources, and energy a state has invested in sending signals of reassurance, the greater the cost for the sender’s reputation if it decides to deceive. A state that views its reputation for sending honest signals as critical to its broader foreign policy goals is unlikely to sacrifice the benefits of that reputation lightly.

Andrew Kydd’s “costly signaling” theory of reassurance is arguably the most important theoretical contribution to the study of reassurance in IR. Kydd builds on theories of costly signals developed in other domestic and international contexts to argue

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20 Ibid.
21 Ibid., pp. 70-83.
22 Kydd, *Trust and Mistrust in International Relations*; Kydd, “Trust, Reassurance, and Cooperation.”
that reassurance efforts must be based on signals that are “adequately costly” to the sender if they are to have the intended effect. While determining “costliness” is an inherently subjective exercise, Kydd emphasizes that gestures with risks attached or that otherwise increase the vulnerability of the sender will likely reassure the other side that one is trustworthy. This occurs because untrustworthy actors would presumably be unwilling to incur the costs associated with sending such signals. On the other hand, signals that involve little costs for the sender (what Kydd refers to as “cheap talk”) will fail to reassure. This argument appears to be a modest refutation of Jervis’s claim that signals have no inherent credibility. Kydd suggests that while small gestures may have no inherent credibility, costly signals can demonstrate an actor’s “credible commitment” to the message it is trying to send.23

A second proposition that underlies Kydd’s theory of reassurance focuses more on the actor sending the signals. While signals must be costly enough to persuade the other side that an untrustworthy actor would not send them, they cannot be made too costly or even trustworthy actors would be fearful of sending them. Kydd employs a game-theoretic model to demonstrate that a signal of optimal cost can be found as long as the “nice” (i.e. trustworthy) actor is willing to take greater risks to reassure than the “mean” (i.e. untrustworthy) type. Kydd also seems to agree with the basis of Osgood’s GRIT proposal in suggesting that in cases of “extreme mistrust,” it may be necessary to issue small, unilateral cooperative gestures to build momentum early for deeper cooperation later.

Reassurance Strategies in Practice

While the two groups of reassurance studies examined above dealt with the strategic logic of reassurance and the nature of signals sent by one state to another, a third and final group of studies explores how a reassurance strategy should look in practice. This group of studies draws heavily on the conceptual and theoretical examination of “signals” characteristic of the second group, but ultimately carries these studies further by devoting greater attention to specific types of reassurance strategies. Janice Gross Stein, for example, argues that there are at least four main ways a state can reassure others: exercising restraint, developing norms to regulate competition, making irrevocable commitments, and participating in limited security regimes.24 For Aaron Hoffman, the key to overcoming suspicion is to provide fearful states the ability to influence collective decisions and to provide these states “insulation” from domestic political pressures.25 Studies such as these help illuminate the specific ways in which states can use reassurance to assuage fears, build trust, and alter the decision-making calculus of wary and suspicious actors.

Stein’s assertion that restraint can be an effective reassurance gesture is an important one, particularly in the case of a stronger actor dealing with a weaker actor. For Stein, restraint strengthens reassurance because it reduces the intense “domestic political and economic pressures” that weaker countries may feel to respond to a stronger state’s power. Restraint thus offers practical benefits to a weaker, fearful actor that might otherwise face significant pressure to mobilize economic and military resources to prepare for conflict. Importantly, this “restraint as relief” argument recognizes that states

24 Janice Gross Stein, “Reassurance in International Conflict Management.”
25 Aaron M. Hoffman, Building Trust, pp. 7-9.
on the receiving end of a reassurance strategy many times have their own interests that shape how they perceive and respond to gestures of reassurance from a potentially hostile power.26

Stein’s discussion of irrevocable commitments as a reassurance strategy is similar to Kydd’s theory of costly signals. Indeed, Stein suggests that irrevocable commitments are the costliest of all signals given that they are, in theory, “irreversible.” For this reason, states are often reluctant to pursue reassurance through such commitments, a reality Kydd also acknowledges when he points out that signals cannot be costly to the point that a trustworthy actor will be unwilling to send them.

Shared norms and limited security regimes also help reduce suspicion and mistrust among actors. Both of these strategies advance reassurance in similar ways. For Stein, the development of shared norms of competition is an important means of “delegitimizing” certain kinds of “mutually unacceptable actions.”27 As norms take hold, the preference structures of both strong and weak states alike are affected in ways that induce cooperation, despite the disparity in material capabilities between the actors. Limited security regimes incorporate shared norms alongside more formal rules and procedures to increase the predictability of interaction between states.28 Both forms of reassurance help “bound competition” among states by increasing the availability of information, enhancing communication, and ultimately reducing uncertainty over intentions. A rising power can reassure others by adopting shared norms and participating in security regimes because doing so reflects a willingness to forgo the unilateral pursuit of self-interest and instead limit that pursuit to the confines of a collective forum.

27 Ibid., p. 437.
28 Ibid., pp. 444-447.
Chinese Reassurance in Theoretical Perspective

The IR literature on reassurance helps provide a general set of expectations for the primary research questions addressed in this study. First, we would expect China to have a strategic incentive to reassure the Southeast Asian region given that Beijing’s smaller neighbors have expressed uncertainty over China’s intentions as it amasses greater economic and military power. In Section III below, I examine China’s strategic motivations for reassuring Southeast Asia and how this strategy factors into Beijing’s broader foreign policy objectives.

Second, the literature provides clues as to the specific types of gestures likely to be incorporated into a broader reassurance strategy. Based on the studies examining reassurance strategies in practice, we should expect China to use a variety of means to reassure Southeast Asia including exercising restraint, developing norms of competition, participating in limited security regimes and multilateral institutions, and making irrevocable commitments. Multilateral institutions are particularly important for reassurance as they provide weaker states a means of voicing their concerns collectively and improve their chances of influencing the behavior of a stronger state.

Finally, while the literature suggests that reassurance may take a variety of forms, there is general agreement that costly signals are most likely to make reassurance successful since these signals enhance the credibility of the sender. A rising power, therefore, not only has a strategic incentive to reassure smaller neighbors, it also has an interest in rooting this strategy in a set of costly signals that will maximize chances of success. If China hopes to successfully reassure ASEAN, we should expect Beijing to
incur costs, accept constraints, and make compromises in a way that lends credibility to its attempts to portray itself as a trustworthy regional actor.

II. Definitions and Metrics

Measuring the “costs” associated with a foreign policy strategy presents an epistemological challenge. Because states are assumed to be rational actors that generally adopt policies that will maximize their interests, it can be argued that the costs associated with any strategy will be outweighed, or at least balanced by, the benefits of that strategy. This makes it difficult to estimate a strategy’s costliness; the very fact that a country adopts a strategy in the first place means that it perceives a level of gain or benefit that makes any attendant costs acceptable. A rational state presumably would not knowingly adopt a strategy if the costs incurred were higher than the benefits accrued. Thus, while the costliness of reassurance is believed to be the critical determinant of its likely success or failure, any assessment of costs must take into account the benefits for the country implementing the strategy. State A’s “high-cost” reassurance strategy toward state B may look much less costly when viewed alongside the benefits that state A derives from pursuing the strategy.

While recognizing the difficulty and subjectivity involved in measuring the costs associated with any foreign policy strategy, I measure and operationalize the independent variable “costliness” as follows. The costliness of China’s reassurance strategy is measured across three dimensions–politico-diplomatic, economic, and military–and in dichotomous terms–“high-cost” or “low-cost.” The overall costliness of the strategy is based on the level of costs incurred in each of the three areas. If China suffers significant costs in two or more out of the three areas, the overall strategy is a “high-cost” strategy.
If China incurs only minimal costs in two or more areas, or these costs are outweighed by benefits that serve other foreign policy interests, the strategy is considered a “low-cost” strategy.

The decision to treat the independent variable as dichotomous and omit a “medium-cost” measurement is an intentional one meant to enhance the analytical rigor of the study without sacrificing its explanatory value. Structuring the analysis in terms of high and low costs is the most effective way of assessing the impact of costliness on reassurance because it highlights the causes most likely to cause variance on the dependent variable. Inclusion of a “medium-cost” variable would arguably add little to our understanding of China’s ability to reassure—a strategy based on moderate costs is hypothesized to produce a moderate level of reassurance. Additionally, operationalizing “medium-cost” would invite significantly more ambiguity into an already subjective exercise. The diverse mix of costs and benefits that accompany any strategy means that it would be relatively easy to classify a strategy as medium-cost. Instead, I will focus on classifying China’s reassurance efforts as “high-cost” or “low-cost” through a thorough analysis of the merits and drawbacks of the strategy for China. If there is found to be no analytically responsible way of classifying the strategy as high-cost or low-cost, only then will I argue that the level of costs associated with the strategy is “indeterminate.”

To properly operationalize costliness, I develop distinct metrics for each of the three dimensions of cost discussed above. In terms of politico-diplomatic costs, I examine the extent to which China’s strategy has (1) undermined its pursuit of key foreign policy objectives such as isolating Taiwan or (2) forced it to align with Southeast Asian regimes.

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whose behavior undermines China’s efforts to build and maintain an image as a responsible actor in international affairs. An example of the first type of cost would be evidence that China has softened its position on Taiwan for the sake of reassuring the region. An example of the second type of cost would be evidence that China has been subjected to criticism by the United States or others for supporting an ASEAN state(s) that was violating international standards of human rights and political freedom. If I find that China has incurred these types of costs, I characterize China’s reassurance strategy as having a high degree of politico-diplomatic costs. If I find that China has not incurred these types of costs, then I assess that reassurance has involved minimal politico-diplomatic costs.

To measure the economic costs of reassurance, I examine the extent to which China has (1) deliberately undertaken economic opening up in ways that have led to increased trade deficits with ASEAN or (2) offered economic concessions to the region in the form of aid, trade, or investment that can be expected to undermine China’s domestic economy or national development goals. For example, if I find that China’s foreign aid and development assistance to the region amounts to a significant percentage of gross domestic product, this would be a sign that reassurance has involved high economic costs. If, however, I find that Chinese aid to Southeast Asia has been low, trade-deficits minimal, or that Chinese economic concessions to the region have not produced adverse domestic economic effects, this would signify that reassurance has not been accompanied by high economic costs.

In the area of military costs, I examine the extent to which China’s reassurance strategy has (1) forced it to accept constraints on the use of force or (2) caused it to
reduce defense spending. If I find that China has accepted constraints on the use of force or limited its defense spending and military modernization efforts as a price for reassurance, I consider reassurance to have high military costs. If I find that China has reassured the region without accepting constraints on the use of force or reducing its defense spending, I assess that reassurance has had low military costs.

*Unit of Analysis*

This study focuses primarily on China’s region-wide reassurance efforts given the increased emphasis Beijing has placed on participating in multilateral institutions as a key component of its reassurance strategy.\(^{30}\) For China, regional multilateralism has become complementary to its historic preference for bilateral approaches to the region thus justifying an analysis of how China has sought to reassure ASEAN as a whole. Additionally, because the theoretical focus of this study is on the costs of reassurance, it is appropriate to examine China-ASEAN relations as a single dyad since it is in the multilateral context where China will arguably experience the costs and constraints of reassurance most acutely. Regional institutions allow individually weaker states to exercise collective influence over stronger states to a degree not possible in purely bilateral interactions.\(^{31}\) In the interest of reassurance, China has sacrificed some of the advantages that its size, power, and influence give it in bilateral relations with individual ASEAN members.

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An analysis of China’s strategy at the regional level is also appropriate given the strategic motivations that have driven Beijing’s reassurance efforts. China partly views reassurance as a way to dissuade Southeast Asian nations from balancing against it. Because states in the region are relatively weak in terms of military power, balancing efforts by ASEAN members would most likely take the form of “external” balancing through intra-regional or extra-regional alliances, rather than purely internal balancing through indigenous military build-ups.\(^{32}\) While Beijing has little reason to fear the region’s individual militaries, it does view with worry the potential emergence of a region-wide anti-China coalition.\(^{33}\) As a result, while China still views its bilateral interactions in the region as important, the country has focused on multilateral-based reassurance efforts as a key means of dissuading Southeast Asian states from balancing collectively against it.\(^{34}\)

III. The Logic of Reassurance in Chinese Foreign Policy

The strategic logic driving China’s reassurance strategy in Southeast Asia must be placed in the context of its broader foreign policy goals. In the mid-to-late 1990s, the Chinese leadership recognized that the country’s rapidly growing economic and military power, as well as its assertive actions in the region, were generating fear among some ASEAN nations that China may become increasingly expansionist. Actions such as China’s seizure of Philippines-claimed Mischief Reef in the South China Sea in February 1995 and the repeated missile exercises and shows of force directed against Taiwan from


1995-1996 helped lend credence to the “China threat theory” promoted by some observers in the region that claimed confrontation with Beijing was increasingly likely. By the end of 1996, ASEAN members reached a tentative consensus that closer cooperation among them was the best way to guard against the uncertainty of future Chinese behavior. Although the growing fear within ASEAN of China’s assertiveness varied from country to country, China began to view with worry the prospect that ASEAN might align with other powers outside the region to balance against it. From Beijing’s perspective, its relations with its southern neighbors were beginning to exhibit security dilemma dynamics.

As China’s behavior gave rise to increased skepticism over its intentions, China responded with efforts to change threat perceptions in the region. As examined in detail above, balance of threat theorists such as Stephen Walt consider this type of response rational for states that seek to dissuade others from balancing against it. Because “perceptions of intent” are an “especially crucial” factor in determining whether states balance against emerging threats, rising powers should be particularly attuned to pursuing policies that exhibit restraint, accommodation, and benevolence. Indeed, in China’s case, the strategic rationale for reassurance is particularly strong given the way in which Beijing views the linkage between external and internal security. The ruling Chinese Communist Party (CCP) views a peaceful external environment as a necessary condition for maintaining the high levels of economic growth needed to preserve regime legitimacy

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36 Ibid., pp. 299-302.
and social stability. In this context, reassuring the Southeast Asian region is a critical part of China’s broader aim of stabilizing its periphery. Beijing calculates that a stable external environment will allow it to focus on crucial domestic priorities, while a periphery full of fearful and mistrustful neighbors could lead to tensions that distract the regime from pursuing its national development goals. Reassurance helps the CCP save the time, energy, and resources that would be needed to confront balancing behavior or any other actions within or outside the region directed at “containing” China.

In addition to the primarily defensive purpose of breaking out of the security dilemma to maximize the regime’s ability to focus on domestic priorities, China’s reassurance strategy in the region also serves at least two more offensive-minded goals. First, China’s reassurance efforts allow it to isolate Taiwan by convincing ASEAN nations to keep their ties to Taipei to a minimum if they want to benefit from cooperative relations with China. At present, all ASEAN nations are vocal in their support for the “one-China” policy and no states in the region maintain formal political or diplomatic ties with Taipei. This is a stark contrast with the early 1990s when Taiwan’s “dollar diplomacy” had resulted in relatively strong relations between Taipei and some Southeast Asian countries. As the region has gained an increased economic and diplomatic stake in maintaining positive relations with China, Beijing has used its reassurance strategy to reduce the number of potential allies Taiwan could appeal to for support should it seek de jure independence. For the Chinese leadership, blocking Taiwanese moves toward

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independence is critical for securing territorial integrity, and by extension, regime survival. Reassurance has helped advance these goals.

Second, reassurance has been a core part of a broader shift in Chinese foreign policy meant to strengthen Beijing’s influence and status in international politics. In 1997, the CCP’s third-generation leadership led by Jiang Zemin launched a foreign policy initiative known as the “new security concept” that was formally included in China’s defense white paper of 1998. The core of the new security concept is a focus on mutually beneficial cooperation, dialogue, consultation, and “negotiation on an equal footing” among all states regardless of disparities in military power or levels of economic development. China presents the new security concept as an alternative to the “hegemonism” and “power politics” that it believes characterizes the current world order dominated by the United States. By reassuring its neighbors and others through increased cooperation and consultation, China aims to not only reduce regional suspicion that could lead to balancing behavior but also increase its influence with these countries as it rises as a great power in the international system.

IV. China’s Reassurance Strategy in Practice

Regional Multilateralism

China’s decision to join and actively participate in ASEAN-based multilateral institutions is arguably the most striking illustration of its emphasis on fostering cooperation in the region. The importance of this move is made even clearer when taking into account China’s traditional skepticism toward multilateral bodies and its belief that

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participating in such institutions would allow other powers to infringe on important interests such as sovereignty and territorial integrity.\textsuperscript{45} China’s suspicion of ASEAN in particular stemmed from the fact that the organization was founded partly to protect its members against Beijing’s support for local communist insurgencies in their countries.\textsuperscript{46} Even in the early 1990s when Beijing launched its “good-neighbor” policy to break its post-Tiananmen diplomatic isolation, it largely eschewed active participation in ASEAN-based arrangements and maintained its bilateral approach to engaging Southeast Asian countries.\textsuperscript{47}

Beginning in the late 1990s, however, China began to view active involvement in ASEAN fora as a way to “reassure its neighbors” and “dampen the ‘China threat’ theory.”\textsuperscript{48} In December 1997, China agreed to the creation of an ASEAN-China forum (“ASEAN+1”) and an ASEAN Plus Three (APT) process meant to foster multilateral cooperation among ASEAN, China, Japan, and South Korea. Additionally, in 1997-1998 China began to substantially deepen its participation in the ASEAN Regional Forum (ARF), which it first joined in 1994.\textsuperscript{49} All of these forums became increasingly institutionalized during the period 1998-2008 with regular annual summits and post-ministerial conferences convened between member nations. One of the more prominent examples of this increased institutionalization occurred in October 2003 when China and ASEAN signed a Joint Declaration on the Strategic Partnership for Peace and Prosperity.

\textsuperscript{46} On China’s support for communist insurgencies in Southeast Asia, see Alice Ba, “China and ASEAN: Renavigating Relations for a 21st Century Asia,” \textit{Asian Survey}, vol. 43, no. 4 (July/August 2003), pp. 623-625.
\textsuperscript{47} Kuik Cheng-Chwee, “Multilateralism in China’s ASEAN Policy.”
\textsuperscript{48} Ibid., p. 108.
\textsuperscript{49} Ibid., pp. 102-122.
This marked the first time that China reached a strategic partnership agreement with a regional organization and was ASEAN’s first such agreement with any power. As Michael Glosny points out, the difference in tone and level of specificity between the 2003 strategic partnership agreement and the joint statement signed by China and ASEAN in 1997 showed the increased value China placed on cooperative relations with ASEAN. Whereas in 1997 China was content with a joint statement filled with “vague generalities” about promoting China-ASEAN cooperation in the future, the 2003 declaration asserted that China-ASEAN relations had seen “rapid, comprehensive, and in-depth growth” and outlined specific areas of cooperation that would continue to strengthen trust and goodwill between the two sides.

The specific “brand” of multilateralism China has adopted in its relations with ASEAN has helped advance its reassurance efforts in the region in at least two ways. First, the tone and substance of China’s multilateral diplomacy has been largely consistent with regional diplomatic norms. Chinese leaders and diplomats emphasize cooperation based on “mutual benefits,” “win-win outcomes,” and “shelving differences” to achieve consensus in China-ASEAN relations. Such principles fit well with the prevailing diplomatic style in the region, called the ‘ASEAN way,’ which emphasizes dialogue, consultation, and incremental consensus-building. Furthermore, even before the period 1998-2008, China and ASEAN both maintained strong declaratory commitments to principles of non-interference in internal affairs and mutual respect for

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50 See Lyall Breckon, “A New Strategic Partnership is Declared,” Comparative Connections, CSIS, China-Southeast Asia Relations (1st quarter, 2004).
51 Glosny, “Heading toward a Win-Win Future?,” p. 35. For the full text of the 2003 Joint Declaration on Strategic Partnership for Peace and Prosperity, see http://www.aseansec.org/15265.htm.
sovereignty and territorial integrity. Although adherence to these principles occurred in different contexts and did not prevent the two sides from having largely antagonistic relations throughout the 1960s and 1970s, they did provide China a natural normative basis for identifying with ASEAN views of diplomacy as it began its reassurance efforts in the late 1990s.

China’s willingness to conform to the ‘ASEAN way’ has helped generate “norms of competition” that have helped enhance the predictability of China-ASEAN diplomatic interaction. By setting general expectations for its own behavior, China has used shared norms to reassure ASEAN and pave the way for greater levels of cooperation. Particularly when compared with its insistence in 1997 that countries in the region cut their security relations with the United States, China’s adoption of shared norms has been an important signal of its willingness to engage the region on its own terms, rather than make demands on the region to conform to Chinese preferences.

The second reason that China’s particular style of multilateralism has reassured the region is that it upholds ASEAN as the primary driver of regional cooperation and integration. By deferring to ASEAN’s initiative on issues concerning the deepening of regional integration, China has assuaged concerns that it may seek to hijack the ASEAN agenda and force its members to pursue foreign policy objectives contrary to their interests. Admittedly, to the extent that China remains wary of assuming the burdens of regional leadership, deference to ASEAN is in Beijing’s interest. But even in cases where China has demonstrated a willingness to take the lead in strengthening regional

53 These principles are part of China’s “Five Principles of Peaceful Coexistence” first espoused by then Chinese leaders Mao Zedong and Zhou Enlai in 1954. See John W. Garver, Foreign Relations of the People’s Republic of China (Upper Saddle, NJ: Prentice Hall, 1993), pp. 122, 123.
integration—e.g. calling for the establishment of an ARF Security Policy Conference (first held in November 2004) or its support for an East Asian Summit that excluded the United States—it has backed down when it appeared it was pushing ASEAN past a point the organization wanted to go.\(^{56}\) When speculation and skepticism in the region mounted in 2004-2005 that China was beginning to view its role in the East Asian Summit as a foothold to wield its influence over a future East Asian Community (EAC), China responded by emphasizing its view that ASEAN was the “driving force” of current and future regional cooperative efforts.\(^{57}\) Such gestures have helped China reassure its southern neighbors that its growing regional influence will not overshadow or displace ASEAN priorities.

**Political and Military Confidence-Building Measures**

China’s changed approach to multilateralism and its willingness to abide by ASEAN diplomatic norms have formed the basis of its reassurance efforts in Southeast Asia. This general shift in its approach toward multilateralism, however, has been accompanied by a variety of more concrete confidence-building measures meant to signal China’s commitment to cooperative relations in the region. Two of the most important have been China’s accession to ASEAN’s Treaty of Amity and Cooperation and its decision to sign a China-ASEAN Declaration on the Conduct of Parties in the South China Sea.

China’s accession to ASEAN’s Treaty of Amity and Cooperation (TAC) in October 2003 was viewed by both sides as an important signal of China’s commitment to building trust in the region. In some ways, it marked the formal codification of China’s

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adoption of shared norms discussed above. Originally signed in 1976 by the original five members of ASEAN, the TAC commits its signatories to renounce the threat or use of force, to respect the sovereignty, territorial integrity, and independence of all nations, to resolve disputes peacefully, and to adhere to the principle of non-interference in the internal affairs of other nations.\(^{58}\) By signing the TAC, China demonstrated its willingness to move beyond a purely declaratory posture of shared norms with ASEAN and adopt a formal commitment to the pacific settlement of regional disputes. Noting the import of the occasion, ASEAN Secretary General Ong Keng Yong described China’s accession as “trailblazing.” Michael Glosny notes that several Chinese leaders regarded TAC accession as a “milestone” in China-ASEAN relations.\(^{59}\) For Beijing, the TAC advances its reassurance efforts by enhancing the credibility of its “good-neighbor” rhetoric with a substantive agreement.

The China-ASEAN Declaration on the Conduct of Parties in the South China Sea signed in November 2002 was a similarly important sign of Chinese reassurance. Prior to the declaration, China had expressed little interest in agreeing to norms of behavior that it perceived would undermine its ability to assert its claims to “lost territories” in the South China Sea. Indeed, China has resorted to military force to advance its claims on three occasions—against South Vietnamese forces over the Paracel Islands in 1974; against a united Vietnam over territory in the Spratly Islands in 1988; and against the Philippines over Mischief Reef in 1995.\(^ {60}\) After ASEAN ministers in July 1996 endorsed the idea of a regional code of conduct governing South China Sea disputes, China remained opposed

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\(^{58}\) For the full text of the TAC, see ASEAN Secretariat, [http://www.aseansec.org/1217.htm](http://www.aseansec.org/1217.htm). ASEAN’s five original members are Indonesia, Malaysia, Thailand, Singapore, and the Philippines.  
\(^{59}\) Glosny, “Heading toward a Win-Win Future?,” p. 36.  
\(^{60}\) Percival, *The Dragon Looks South*, p. 84.
to the “multilateralization” of the issue arguing that a bilateral agreement it had reached with the Philippines in August 1995 was sufficient. By late 1999, however, Beijing was actively involved in the process of submitting to ASEAN its own working drafts of its vision of a region-wide code of conduct.

Pessimists argue that China’s shift was hardly a sign of reassurance but rather an attempt to dilute any agreement reached by ASEAN to ensure it could not threaten China’s freedom of action in any meaningful way. Indeed, the declaration on conduct ultimately agreed to is a non-binding political text rather than the enforceable legal agreement that some ASEAN members originally envisioned. The current declaration calls on parties to “exercise self-restraint in the conduct of activities that would complicate or escalate disputes” and to “[refrain] from inhabiting on presently uninhabited islands” and other features in the disputed areas. Compliance, however, is ultimately voluntary and negotiations on a binding code of conduct remain ongoing.

Despite the non-binding nature of the declaration, China’s decision to sign on was clearly meant as a reassurance signal to the region. As mentioned in Section III, Beijing’s demonstrations of force during the 1995-96 Taiwan Straits crisis alarmed ASEAN members who drew parallels between the military capabilities being used to intimidate Taiwan with those that could be used in a South China Sea scenario. Furthermore, in the aftermath of the Mischief Reef incident, the Philippines actively sought to repair recently strained military relations with the United States, a process that culminated in the signing of a Visiting Forces Agreement in February 1998 and its ratification by the Philippine

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63 For the full text of the Declaration on Conduct, see http://www.aseansec.org/13163.htm.
Senate in May 1999.\textsuperscript{64} It was against this backdrop that China committed itself to multilateral discussions of a code of conduct. By involving itself in the process and signing on to the declaration, China sought to reduce regional suspicion and mistrust by signaling its willingness to “negotiate, compromise, and behave responsibly.”\textsuperscript{65}

\textit{Economic Reassurance}

ASEAN worries about China were not limited to Beijing’s dismissive attitude toward multilateral institutions or its aggressive behavior in the South China Sea; they included economic concerns as well. China’s remarkable economic growth throughout the 1980s and 1990s and increased investment diversion from ASEAN nations to China gave rise to fears in Southeast Asia that the region would be left behind as the global reach of China’s economy expanded.\textsuperscript{66} The 1997-98 Asian financial crisis and China’s final preparations to join the World Trade Organization from 1999-2001 further increased the sense of economic pressure felt in the region. Many observers have noted that as China emerged as the center of the regional economy, the basis of the “China threat” theory in the region shifted from suspicion over primarily political-military issues in the mid-1990s to fears of economic marginalization in the face of a dominant Chinese economy in the late 1990s.\textsuperscript{67} Perhaps most importantly, ASEAN leaders grew increasingly concerned that the twin challenges of China’s economic dominance and the lingering effects of the Asian financial crisis would dramatically slow domestic economic

\textsuperscript{64} See Yuan Jingdong, \textit{China-ASEAN Relations: Perspectives, Prospects, and Implications for US Interests} (Carlisle, PA: Strategic Studies Institute, 2006), pp. 10, 11, 39, 40.

\textsuperscript{65} Glosny, “Heading toward a Win-Win Future?,” p. 36.


\textsuperscript{67} Alice Ba, “China and ASEAN: Renavigating Relations for a 21st Century Asia,” pp. 628, 629, 634-644.
growth and development and thereby undermine their ability to preserve political stability at home.68

Given ASEAN’s economic fears, China has made “economic reassurance” a key component of its overall strategy to reassure the region. One of China’s first such gestures in this regard—and one that in many ways came to define its newly cooperative and constructive approach toward the region—was the decision to not devalue the renminbi during the Asian financial crisis.69 Although China had its own economic interests for resisting devaluation, it was largely successful in presenting the move as an example of its unselfish motives and commitment to “responsible” international behavior. China’s restraint relieved significant pressure from the region’s economies, as devaluation would have given Chinese exports a clear advantage in the global market over goods from ASEAN. Additionally, China provided substantial amounts of economic aid to Thailand and Indonesia, the ASEAN states hit hardest by the crisis. China’s actions were greatly appreciated by the region, particularly when compared to the perceived reluctance on the part of actors such as the United States and Japan to take decisive action that would have helped ASEAN economies.70 In a much-cited quote that summed up the region’s views of Chinese behavior during the crisis, ASEAN’s then Secretary-General stated that “China is really emerging from this smelling good.”71

The China-ASEAN Free Trade Area

In addition to the specific actions it undertook in response to the Asian financial crisis, China since the late 1990s has pursued economic and trade policies designed to reassure ASEAN about the impact of China’s growth on Southeast Asian economies. The most important of these initiatives has been the agreement to establish a China-ASEAN Free Trade Area (CAFTA), first proposed by Chinese premier Zhu Rongji at the November 2000 APT summit and signed in November 2002. The CAFTA is to be implemented in two main stages: tariff and non-tariff barriers are scheduled to be removed for ASEAN-6 countries by 2010 and for mainland Southeast Asian countries by 2015. The agreement is China’s first bilateral FTA and was largely a response to ASEAN worries over trade competition from China as the latter joined the WTO.

The ongoing implementation of the CAFTA and China’s general effort to increase trade with ASEAN has produced significant increases in China-ASEAN trade since 1999-2000. For example, ASEAN exports to China increased approximately 55 percent from 1995-1999, but jumped 445 percent during the period 1999-2005. Total China-ASEAN trade increased 65 percent during the period 1995-99 but rose a remarkable 417 percent from 1999-2005. In 2008, China-ASEAN trade surpassed $230 billion making China ASEAN’s fourth-largest trading partner. Chinese officials express confidence that

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73 Ibid.
74 All trade figures in this paragraph are from IMF, Direction of Trade Statistics, various years. See Appendix 1.
further implementation of the CAFTA will result in China surpassing Japan as ASEAN’s third largest trading partner in the near future.\textsuperscript{75}

The “early harvest” provisions of the CAFTA have been a particularly important part of Beijing’s economic reassurance efforts. Included as part of the CAFTA implementation agreement, these provisions are designed to give ASEAN states preferential access to the Chinese market by reducing import duties on specific agricultural products and services from ASEAN.\textsuperscript{76} More than 600 agricultural goods—including livestock, fish, dairy products, fruits and vegetables—have been included in the early harvest program, the first phase of which lasted from 2004 to 2006 for the ASEAN-6.\textsuperscript{77} China has also allowed ASEAN states to delay tariff reduction on various “sensitive track” products considered particularly important to ASEAN’s domestic economies. This has allowed many ASEAN leaders to protect their agricultural industries as they undergo the economic adjustments required to deal with CAFTA.\textsuperscript{78} By agreeing to such provisions, Chinese leaders have attempted to show the costs China is willing to bear to protect the region’s individual economies.

China’s commitment to opening up trade with ASEAN has helped drive the region’s economic growth and has reduced fears that the Chinese economy would hinder ASEAN growth. From 2000-2005, ASEAN economic growth rates averaged 5.2 percent; in 2006 and 2007 ASEAN growth rates were 7.5 and 5.9 percent respectively.\textsuperscript{79} Such strong rates of growth have helped to dispel the more pessimistic assessments of China’s


\textsuperscript{77} Glosny, “Heading toward a Win-Win Future?,” pp. 30, 31.

\textsuperscript{78} Bronson Percival, \textit{The Dragon Looks South}, pp. 100, 101.

\textsuperscript{79} See World Bank, Database of Statistics, various years.
economic rise in the region.\textsuperscript{80} Estimates suggest that full implementation of CAFTA will
generate further benefits, with real gross domestic product rates expected to increase
between 0.4 and 0.9 percent for ASEAN and between 0.3 and 0.4 percent for China.
ASEAN exports to China are expected to increase between 48 and 53 percent.\textsuperscript{81}

The region remains concerned about the apparent loss of foreign direct investment
to China, but Beijing has been insistent in its claim that ASEAN will make up the loss as
China’s economic growth generates greater levels of Chinese investment in the region. At
the 2003 APT summit, for example, Chinese premier Wen Jiabao declared that Beijing
would actively encourage Chinese companies to invest in Southeast Asia and noted that
such investment was already growing at annual rate of 20 percent.\textsuperscript{82} This accelerating
trend has heightened expectations that Chinese investment in Southeast Asia will increase
significantly over the long-term, despite the comparatively low rates of current Chinese
investment in the region.\textsuperscript{83}

V. Analyzing Success

This study thus far has asserted that China’s reassurance efforts from 1998-2008
have helped reduce suspicion in the region and have encouraged ASEAN members to
view China more as an opportunity than threat. As noted above, the language of the
“China threat” theory characteristic of the mid-1990s has been replaced with China-
ASEAN professions of a “win-win” partnership and “mutually beneficial” relations.
China has significantly reduced mistrust and suspicion while building up its reputation as
a cooperative and trustworthy regional actor. But to what extent has ASEAN been

\textsuperscript{81} Percival, pp. 97-99.
\textsuperscript{83} Lum, Morrison, and Vaughn, “China’s “Soft Power in Southeast Asia,” pp. 13, 14.
convinced that China indeed harbors benign intentions toward the region? Is the region taking actions that suggest it is still skeptical of Chinese intentions?

To answer these questions, this section assesses the extent to which ASEAN states have engaged in internal and external balancing behavior to counter China. Since mainstream neorealist theories predict that fear and suspicion prompt states to balance against perceived threats, we would expect to find such evidence if ASEAN regards China as a threat to regional security. This section also examines results of recently conducted public opinion polls in the region as one measure of the perception that ASEAN domestic audiences have toward China. The data below show that ASEAN is not engaging in balancing behavior and that domestic audiences in the region generally do not view China as a security threat.

**Absence of ASEAN Balancing**

Trends in ASEAN defense spending suggests that China has not provoked countries in the region to engage in internal balancing. In 2002, China spent approximately $48 billion on defense compared to combined ASEAN spending of $19 billion. In 2006, the disparity in defense spending was similarly wide–China spent $62 billion on defense compared to $28 billion in combined spending for ASEAN. Even Vietnam and the Philippines–China’s chief rival claimants to territory in the South China Sea–have not been engaging in military build-ups intended to balance against Chinese power. In the six year period 2002-2007, Vietnam spent a total $18.6 billion in defense. Hanoi’s $3.7 billion in defense spending in 2007 was only the fifth highest in ASEAN, a

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85 All defense spending figures in this section are derived from International Institute for Strategic Studies, *The Military Balance*, various years.
low ranking given that Vietnam is generally regarded as the country most suspicious of China’s growing military power. For its part, the Philippines' defense spending has been even lower. From 2002-2007, Manila spent $5.9 billion in total defense spending and in 2007 it ranked seventh out of ten ASEAN members in defense spending at $1.1 billion. With Vietnam and the Philippines apparently unwilling to spend significant resources to balance against China, it should come as no surprise that ASEAN as a whole has largely refrained from pursuing internal military build-ups designed to offset Chinese power.

Evidence that ASEAN is seeking to contain China through external balancing is similarly lacking. As shown above, the trend from 1998-2008 has been increased cooperation in China-ASEAN relations rather than competition. In fact, agreements such as the China-ASEAN Strategic Partnership and China’s accession to the Treaty of Amity and Cooperation have led other major actors to take the initiative to strengthen their own ties with ASEAN. To be sure, individual ASEAN members such as Singapore, Thailand, and the Philippines maintain closer military relations with the United States than other ASEAN members. These security ties, however, do not seem to indicate an external balancing impulse in the region. Thailand—a major non-NATO ally of the United States and host of the annual Cobra Gold military exercises—has developed increasingly strong military relations with China. In July 2007 and July 2008, Thai and Chinese special operations forces conducted joint counterterrorism exercises, a sign of what Chinese

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87 For example, Japan signed the ASEAN Treaty of Amity and Cooperation in July 2004 and India concluded a free trade agreement with ASEAN in September 2008.
defense minister Liang Guanglie called increasingly “substantial” and “intense” cooperation between Thai and Chinese armed forces. Such evidence supports the claim that ASEAN does not perceive China as a threat requiring a balancing response. China’s reassurance efforts thus far have largely dissuaded ASEAN from engaging in internal or external balancing.

Regional Public Opinion towards China

Public opinion data from the region also suggest China’s reassurance strategy is having its intended effect. Results from a November 2005 US State Department opinion survey conducted in seven Asian nations revealed highly favorable views of China among Southeast Asian publics. In urban areas of Thailand, 83 percent of the Thai public held a favorable view of China and 97 percent stated that Thailand’s bilateral relationship with China was good. When asked to choose among ten “images” associated with China, the Thai public overwhelmingly selected largely positive images of China (e.g. “hardworking people,” “beautiful country,” and “long history”) and rarely chose the three negative images included in the survey (“military threat,” “violates human rights,” and “bullies other countries”).

Survey results from the Philippines revealed similarly positive views of China. Among respondents, 81 percent held a favorable opinion of China and 82 percent considered relations with China to be good. Furthermore, despite China-Philippines tensions over territorial claims in the South China Sea, the Filipino public did not view China as a near-term security threat. When asked to identify the greatest threat to world

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90 All percentages and poll data in this section are found in US State Department, Bureau of Intelligence and Research “Asian Views of China,” November 9, 2005, pp. 1-9.
peace in the next five years, only 3 percent of Filipino respondents chose “growing Chinese military power,” a significantly lower percentage than for “international terrorism” (29 percent), “uncontrolled spread of weapons of mass destruction” (21 percent), and “collapse of politically unstable countries” (15 percent). Public opinion towards China was also largely favorable in urban Malaysia (91 percent) and urban Indonesia (66 percent).

The above discussion on the lack of ASEAN balancing against China and favorable views of China among Southeast Asian publics shows that China has largely reassured ASEAN that it does not pose a near to medium term threat to regional security. These measures might not be the optimal signs of successful reassurance, but they do provide empirical weight to the commonly held notion that China has made great gains in changing threat perceptions in the region. China has used active participation in ASEAN forums, confidence-building measures such as the Treaty of Amity and Cooperation and the Declaration on the Conduct of Parties in the South China Sea, and economic initiatives such as the China-ASEAN Free Trade Area to reduce suspicion, build trust, and disrupt security dilemma dynamics in China-ASEAN relations. ASEAN is not currently seeking to balance against Chinese military power and domestic audiences in the region generally view China in a positive, non-threatening light.

VI. The Costs of Reassurance

The previous three sections have explained why China has sought to reassure Southeast Asia, how it has carried out its reassurance strategy, and affirmed that China has been successful in dissuading ASEAN from engaging in balancing behavior to contain Chinese power. This section turns to an examination of whether or not China’s
reassurance strategy has been based on self-incurred costs that strengthen the credibility of its reassurance gestures. I hypothesize that China’s success in reducing suspicion and mistrust in Southeast Asia is based on a low-cost strategy that has not required Beijing to accept any significant costs, constraints, or commitments. I test this hypothesis by examining the extent to which China has incurred costs in three areas—politico-diplomatic, economic, and military—in its efforts to reassure ASEAN.

Politico-Diplomatic Costs

Two of Beijing’s most important politico-diplomatic goals are to (1) progressively reduce Taiwan’s “international space” by increasing Taipei’s diplomatic isolation and (2) to enhance China’s “international legitimacy” by building-up its image as a constructive actor in international affairs. The former goal has been a long-term objective in Chinese foreign policy and has important implications for both regime stability and national security. If China’s efforts to reassure ASEAN have forced it to moderate its stance on Taiwan, this would be an indicator that reassurance has had high politico-diplomatic costs. The latter goal is a more recent one that has grown in importance as Chinese scholars and officials have come to acknowledge that the country’s rise will require its “legitimization” as a constructive, responsible power in the international system. For China, the primary source of this legitimacy is the US-led community of advanced western democracies, whose norms, values, and principles currently define standards of legitimacy in international politics. As a result, relations with other countries or actors that undermine China’s efforts to achieve “social standing” in this group “as a legitimate

91 Robert G. Sutter, Chinese Foreign Relations, pp. 189-209.
92 Deng Yong, China’s Struggle for Status: The Realignment of International Relations (Cambridge: Cambridge University Press, 2008), pp. 21-68.
great power candidate” are inconsistent with the country’s politico-diplomatic objectives.93

With regard to the two politico-diplomatic goals discussed above, I found that China’s reassurance efforts have involved only minimal politico-diplomatic costs, if any. China’s relations with ASEAN include a strong commitment by ASEAN to the “one-China” policy, a situation that advances rather than hinders Beijing’s goal of constraining Taiwan’s international space. Indeed, Taiwan’s position in Southeast Asia has suffered significantly since the late 1990s as China has used better relations with ASEAN to increase pressure on regional leaders to sever their political contacts with Taiwan.94 From 1998-2008, China brought about a “virtual embargo” on contacts between Southeast Asian and Taiwanese officials as regional leaders grew increasingly reluctant to meet with even lower ranking Taiwanese officials. In a November 2002 speech in Cambodia, then Chinese premier Zhu Rongji stated that China valued its “good-neighborly friendship and cooperation with ASEAN and appreciated consistent adherence by ASEAN countries to the one-China policy.”95 In March 2004, as Taiwanese president Chen Shui-bian sought to hold a referendum on Taiwanese independence, ASEAN foreign ministers collectively warned Taipei to avoid taking such action.96 After China adopted an “anti-secession” law in March 2005 that included a clause sanctioning Beijing’s use of “non-peaceful means” to prevent Taiwanese independence, ASEAN members issued statements supporting the move as consistent with the one-China

93 Ibid., p. 62.
94 Bronson Percival, The Dragon Looks South, p. 11.
96 Percival, The Dragon Looks South, pp. 10-12.
policy.\textsuperscript{97} All of this shows that China has largely avoided costs that would undermine its efforts to isolate Taiwan as a price for reassuring ASEAN.

China’s reassurance efforts in Southeast Asia also have not required costs that hinder its ability to enhance its image as a constructive actor in international affairs. To some degree this seems obvious. Chinese efforts to improve cooperation with ASEAN should by extension contribute to a broader perception of China as an increasingly cooperative actor in international affairs. But increased cooperation with one actor does not necessarily translate into a broader reputation as a constructive, responsible power. China’s increasingly close relations with countries such as Sudan and Zimbabwe, for example, have led to charges by the United States and others that China has a responsibility to put more pressure on those regimes to comply with international human rights norms.\textsuperscript{98} This type of criticism is harmful to China’s interest in “status advancement” and represents the politico-diplomatic costs China has incurred for maintaining positive relations with those countries.\textsuperscript{99}

China-ASEAN relations, however, have not involved such costs. To be sure, China’s extremely close relations with the military junta in Myanmar (an ASEAN member since 1997) have subjected it to calls by the United States for it to use its influence to pressure that regime on human rights and internal governance issues. Such calls were particularly strident in late 2007 when the military regime carried out a violent crackdown against anti-government demonstrators in an event known as the “Saffron

\textsuperscript{97} For full text of the Anti-Secession Law, see \textit{People’s Daily Online} (English version), March 14, 2005, \url{http://english.peopledaily.com.cn/200503/14/eng20050314_176746.html}.
\textsuperscript{99} Deng Yong, \textit{China’s Struggle for Status}, pp. 21-68.
While this pressure has placed Beijing in difficult diplomatic positions at times, it is not directly linked to China’s reassurance strategy in the region. China does not view international pressure on the Myanmar issue as a price it must accept for maintaining positive relations with ASEAN. Indeed ASEAN itself, while in general agreement that the principle of non-interference in internal affairs should serve as the basis of ASEAN’s approach to Myanmar, is divided over the specifics of how to deal with the regime. This lack of consensus within ASEAN on the “Myanmar dilemma” suggests that any politico-diplomatic costs China may have suffered due to its relationship with the junta is not a result of its need to stand in solidarity with ASEAN. Whether in regards to isolating Taiwan or building a reputation as a constructive international actor, the politico-diplomatic costs of China’s reassurance strategy have been low.

Economic Costs

To examine the economic costs of China’s reassurance strategy, I examined the extent to which policies such as CAFTA and the early harvest program have led to increased Chinese trade deficits with ASEAN. Trade deficits are not always harmful to an economy (particularly when such deficits are offset by capital flows and investment in the debtor country), but they can be a sign that a country is willing to put domestic producers and exporters at a disadvantage for the sake of maximizing trade flows. Given the primacy Beijing places on maintaining social stability, a willingness to run

trade deficits that could increase unemployment at home would constitute a cost for the regime. I also examined the extent to which China’s foreign aid and official development assistance to the region have had harmful effects on its own domestic economy. In both cases, I found that China’s reassurance efforts have not involved high economic costs for Beijing.

While China-ASEAN trade has expanded significantly in recent years, China’s trade deficit with the region has fluctuated. In 2002, total trade between China and ASEAN was approximately $54 billion with China running a $7.6 billion trade deficit. In 2004, China-ASEAN trade totaled approximately $105 billion, with China running a $20 billion trade deficit. Since 2005, however, China’s trade deficit with ASEAN has decreased even as total China-ASEAN trade has continued its dramatic expansion. In 2006, China-ASEAN trade totaled $161 billion but China’s annual trade deficit decreased to $18 billion. In 2007, the year that China-ASEAN trade surpassed $200 billion for the first time, China’s trade deficit was only $14 billion.

These relatively low and variable levels of Chinese trade deficits with ASEAN do not appear significant enough to constitute economic costs for Beijing. Even while China has run modest trade deficits with ASEAN, it has consistently maintained a trade surplus with the world driven in large part by its bilateral trade surplus with the United States ($256 billion in 2007). Furthermore, it is important to recognize that China’s overall trade deficit with ASEAN only reflects a trade deficit with a few member states. In 2007, for example, China ran trade deficits with only four Southeast Asian countries—Thailand, the Philippines, Brunei, and Malaysia. The six remaining ASEAN countries ran trade...

103 Figures in this section are derived from IMF, Direction of Trade Statistics, various years.
deficits with China. Thus, while China’s efforts to reassure ASEAN by expanding trade relations have largely succeeded, this success has not required China to incur costs in the form of substantial trade deficits that could negatively impact the Chinese economy.

China’s foreign aid and development assistance to ASEAN countries have also not been very costly for Beijing. Analysts frequently note the difficulty of drawing definitive conclusions about Chinese foreign aid figures, but what does seem clear from the data is that Beijing has not sought to displace major donor countries in the region such as Japan, the United States, Australia, and the European Union.105 Instead, Beijing has combined official development assistance with low-interest loans, grants, debt forgiveness, and aid for specific infrastructure projects that gives an impression of generosity beyond what an objective examination of Chinese aid figures warrant. Beijing also offers economic assistance without the political conditions that other major aid donors attach to foreign aid, giving the region’s leaders more flexibility in how to use the aid.106 Furthermore, China announces its pledges of foreign aid during high-level bilateral visits with individual Southeast Asian leaders giving the aid significant symbolic value. In an analysis of China’s use of foreign aid to build goodwill in Southeast Asia, one former senior US diplomat with experience in the region noted that while “the amounts are usually small, the political impact is large.”107

Military Costs

To assess the military costs of China’s reassurance strategy, I examined the extent to which China’s emphasis on reassuring the region have (1) caused Beijing to accept

constraints on the use of military force or (2) caused it to reduce defense spending, a move that could limit China’s ability to modernize its military. In both cases, I found that China has not accepted high military costs as a price for reassuring Southeast Asia.

In terms of the confidence-building measures China has pursued in its efforts to reassure ASEAN, the TAC stands out as one of the most important. As explained in Section IV, China’s accession to the TAC was viewed by the region as a sign of Beijing’s genuine commitment to reduce political and military mistrust in China-ASEAN relations. However, it is unclear how the provisions of the TAC allow for sanctioning in the event that the treaty’s signatories are found to be in violation. In Article 12, the TAC states that signatories “shall not in any manner or form participate in any activity which shall constitute a threat to the political and economic stability, sovereignty, or territorial integrity of another [party].” There is no attempt, however, to outline what actions would actually constitute a “threat” as defined by the treaty.¹⁰⁸ This “sanctioning problem”—the difficulty of identifying and punishing defectors in cooperative arrangements—is common to multilateral regimes and institutions, and the TAC is no different.¹⁰⁹ China’s accession to the treaty certainly provides a degree of comfort to ASEAN members that Beijing’s past penchant for interfering in their domestic affairs is no longer a concern. But the TAC does not place direct constraints on China’s demonstration or use of military force in the region. China would likely incur reputation costs if it violated the spirit of the TAC in the future, but in terms of direct military costs for Beijing, TAC accession has been a “cheap” rather than costly signal.

China’s willingness to sign the Declaration on the Conduct of Parties in the South China Sea (DOC) is another one of Beijing’s most important reassurance gestures. Like the TAC, however, the DOC does not entail high military costs for Beijing. As explained in Section IV, the declaration is a political text, not a legal document and therefore its provisions are non-enforceable. It also does not include restrictions on building on territory already occupied, which allows claimants to take a variety of actions that could destabilize the situation even if no party seizes new territory. China’s naval modernization efforts and naval deployments in and around the disputed areas do not appear to have been affected in any measurable way by the declaration.\(^\text{110}\) Instead, China has reassured ASEAN by exercising a degree of self-restraint consistent with the spirit of the DOC, even though it is an informal, non-binding document. In terms of reassurance signals then, the DOC was a relatively low-cost one.

Defense spending is another area that presents potential military costs for China as it seeks to reassure Southeast Asia. In this case as well, however, I found that Beijing has not based its reassurance efforts on reductions in defense spending, a move that would provide a particularly credible signal of Beijing’s benign intentions. In fact, from 1998-2008 China’s reassurance strategy in Southeast Asia was accompanied by steady increases in defense spending.\(^\text{111}\) In 1998, China’s official defense budget was $11.3 billion. In 2003, it was $22.4 billion and in 2008, $61.1 billion. These official figures do not include expenditures for military research and development, foreign acquisitions, or funding for paramilitary forces, and most analysts suspect that Beijing’s “actual” defense

\(^{110}\) See Russell Hsiao, “China Exerts Administrative Control over Disputed South China Sea Islets,” *China Brief*, vol. 7, no. 23 (Jamestown Foundation, 2007).

\(^{111}\) All defense spending figures in this section derived from International Institute for Strategic Studies, *The Military Balance*, various years. See Appendix 2.
spending is much higher than the official figures portray.\textsuperscript{112} But even the official figures give a clear indication that China has not sought to reassure the region by restraining its military modernization efforts through reductions in defense spending. Instead, Beijing has pursued military modernization and reassurance in tandem while relying on other measures to reduce suspicion and mistrust. China’s reassurance efforts in the region, therefore, have not been based on a willingness to accept high military costs.

\section*{VII. Alternative Explanations}

The findings of this study support my initial hypothesis. China has carried out a low-cost reassurance strategy in Southeast Asia and this strategy has effectively dissuaded the region from balancing against it. Across the politico-diplomatic, economic, and military realms, China has largely avoided high costs as a price for reassuring ASEAN. This discovery is important as it goes against the commonly held view that reassurance strategies must be based on “costly signals” to be effective. Before turning to the implications of these findings, however, it is important to consider alternative explanations.

\textbf{Alternative Explanation 1:} \\
\textit{China’s low-cost reassurance strategy has been effective, but the “threshold” for reassurance was low to begin with because Southeast Asia was never particularly suspicious or fearful of China.}

This alternative hypothesis rightly acknowledges the importance of threat perceptions on the effectiveness of reassurance efforts. The suggestion here is that ASEAN’s growing fears of Chinese intentions in the mid-to-late 1990s were not as strong as many Chinese analysts and officials assumed. From this perspective, it is no surprise

that Beijing’s low-cost reassurance strategy has worked; there was simply not much mistrust and suspicion to overcome in the first place. The “costly signaling” believed to be critical to successful reassurance was simply not as relevant to China-ASEAN relations from 1998-2008. Because Southeast Asian threat perceptions of China were low, China could carry out a low-cost reassurance strategy and achieve its objective of building trust and strengthening cooperation in the region.

**Alternative Explanation 2:**

*China’s ability to reassure has little to do with the “costliness” of its gestures. Instead, the increased trust and cooperation in China-ASEAN relations is due to a convergence of interests between the two actors.*

This second hypothesis argues that China’s reassurance strategy (and Southeast Asia’s receptivity to it) is epiphenomenal to shared interests between China and the region. China-ASEAN relations have improved not because of China’s deliberate efforts to reassure the region of its intentions, but rather as a result of shared interests between the two sides that both recognize require cooperation to secure. Such interests include the primacy of national development, domestic stability, and regime preservation.113 Both China and ASEAN need a stable regional environment to achieve these economic development and political survival goals. From this perspective, China’s reassurance strategy has accompanied an improvement in China-ASEAN relations rather than caused it. Low-cost reassurance has succeeded because the actual causal phenomenon at work is not the costliness of reassurance, but rather a convergence of interests.

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Closely related to this alternative explanation is the concept of bandwagoning, specifically Randall Schweller’s conception of the term.\textsuperscript{114} Schweller departs from the conventional view of bandwagoning as a strategy of concession that weak states adopt out of fear of an aggressor, and argues instead that bandwagoning can be a deliberate strategy employed by weak states to advance their own interests through alignment with an aggressive power. In Schweller’s conception, bandwagoning is less a display of passive acquiescence of the weak in face of the strong and more an illustration of active recognition by the weak that their interests are better served by aligning with the aggressive state.

Although Schweller’s argument that states “bandwagon for profit” focuses primarily on the response of weak states to an openly aggressive power, it may have implications for the current state of China-ASEAN relations as well. A plausible alternative explanation to the hypothesis put forth in this study is that ASEAN has consciously decided to bandwagon with China not because of Beijing’s reassurance strategy (costly or not), but because it perceives that it will profit from China’s rise. From this perspective, the “positive” interests of ASEAN states (e.g. economic growth and domestic stability) outweigh any “negative” motivation for balancing against Chinese power.

**Alternative Explanation 3:**
*China’s low-cost reassurance strategy has not actually worked; ASEAN has simply delayed balancing for the time being.*

This hypothesis is related to one of the most common critiques of balance-of-power realism, namely the lack of temporal specificity about when balancing will

actually occur. As it relates to this study, this explanation suggests that ASEAN has not been reassured and that underlying threat perceptions of China in the region have not changed. ASEAN members have simply calculated that current attempts to balance against China are too risky and that it would be much more prudent to focus on economic growth and development and balance against China in the future. China’s reassurance strategy gives ASEAN members time to pursue domestic priorities, but the region is under no illusion that it can avoid the balancing imperative indefinitely. As ASEAN members grow stronger and more internally secure, they will inevitably begin to balance against Chinese power even in the absence of open Chinese aggression.

The three alternative explanations presented above deserve further inquiry. Future studies could lead to important insights about other variables that may be contributing to the success of China’s reassurance strategy. Such studies could also examine the particularities of Southeast Asian threat perceptions and how such perceptions may be leading the region to engage in peacetime “bandwagoning for profit” or soft balancing against Chinese power until the region grows stronger. Analysis along these lines would make important contributions to our understanding of China-ASEAN relations and Chinese foreign policy more broadly. For now, however, we turn to the implications of the current study for both Chinese and US influence in Southeast Asia.

VIII. Conclusion and Implications

As discussed at the outset of this study, China’s success in building goodwill among its Southeast Asian neighbors has provoked concern among some US observers who fear that Washington risks being shut out of the region. These observers contend that China’s rising influence in Southeast Asia could smooth the way for Beijing to exercise
unchecked regional hegemony over its smaller neighbors. The implications that flow
from the findings of this study, however, suggest that such fears are largely exaggerated
and that China will be much more constrained in its relations with ASEAN well into the
future.

First, if it is the case that China’s reassurance strategy is based on low-cost signals,
then the success of China’s strategy thus far is probably fragile. The literature on
reassurance in IR explains that states will ultimately dismiss “cheap talk” as
unconvincing, but says much less about how long or under what conditions the receiver
of cheap signals will continue to accept them. It is likely that while China’s low-cost
strategy has worked thus far, Beijing will find it increasingly difficult to continue to
reassure the region without incurring additional costs in the future. Important low-cost
confidence-building measures such as the non-binding Declaration on the Conduct of
Parties in the South China Sea will likely fail to reassure over the long-term. The early
harvest provisions attached to the China-ASEAN Free Trade Agreement will also
become much less reassuring if ASEAN states experience increased trade distortion and
investment diversion due to Chinese competitiveness. If China hopes to secure the
success of its reassurance strategy over the long-term, it will likely have to incur
increased costs and constraints to signal its commitment to addressing ASEAN’s fears
and concerns. Otherwise, the underlying “frugality” of Beijing’s current strategy will
ultimately lead to new tensions in China-ASEAN relations.

Second, although China has not incurred high politico-diplomatic, economic, or
military costs to carry out its current reassurance strategy, it has invested significant time
and energy to build up its reputation as a cooperative and responsible regional actor. This
means that while Beijing is not incurring costs in the present, it could incur significant image costs in the future if it decided to abandon its current emphasis on reassurance and instead act assertively in the region. Cheap signals may not be as convincing as costly ones, but over time they generate similar expectations about state behavior that may bring about the “restraints on lying” discussed by Robert Jervis. For example, the fact that the South China Sea declaration is non-binding does not change the fact that China would suffer significant reputation costs if it began seizing new islands or features in the area. China’s reassurance strategy may be low-cost, but it is still placing constraints on China’s future behavior by increasing its stake in preserving its reputation for sending accurate signals and its image as a responsible actor.

All of this suggests that claims of both US decline and Chinese ascendance in Southeast Asia are equally overstated. China’s reassurance efforts are based on low-cost signals that will eventually have to be reinforced or be dismissed as “cheap talk.” By simply re-engaging the region on issues that are important to it, the United States can easily “recover” any perceived lost ground. This would require such basic steps as placing less emphasis on counter-terrorism in the region and focusing more on economic and national development issues important to ASEAN. It would also involve respecting and actively embracing regional norms of consultation and confidence-building, instead of dismissing ASEAN’s emphasis on diplomatic process over outcome as somehow insignificant. The good news for US policymakers and strategists is that China’s low-cost reassurance strategy can be countered with minimal resources and diplomatic engagement. China will likely always have to do more to reassure the region by virtue of

geography and past threat perceptions. The less promising news, however, is that Washington has thus far been passive in its response.\textsuperscript{116} If China’s current low-cost strategy turns into more durable reassurance in the future, the “balance of influence” in Southeast Asia that many observers today contend hangs in the balance, could soon decisively shift in China’s favor.

\textsuperscript{116} One important exception to this passivity was former US President George W. Bush’s nomination of Scot Marciel in February 2008 to serve as US Ambassador for ASEAN Affairs. Ambassador Marciel was confirmed by the US Senate in May 2008.
# Appendices

## Appendix 1. China-ASEAN Trade

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<tbody>
<tr>
<td>China-ASEAN Total Trade ($ billions)</td>
<td>39.5</td>
<td>54.8</td>
<td>105.9</td>
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<td>Chinese Imports from ASEAN ($ billions)</td>
<td>22.2</td>
<td>31.2</td>
<td>63.0</td>
<td>89.5</td>
<td>108.4</td>
<td>388.2</td>
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<tr>
<td>Chinese Exports to ASEAN ($ billions)</td>
<td>12.3</td>
<td>23.6</td>
<td>42.9</td>
<td>71.3</td>
<td>94.3</td>
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*Source: International Monetary Fund, Direction of Trade Statistics, various years.*

## Appendix 2. Chinese Defense Spending (official figures)

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<th>Year</th>
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<td>2009</td>
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*Source: International Institute for Strategic Studies, The Military Balance, various years.*