

Narrowing US-China Power Gap and China Threat Theory: Transition and Stability in East Asian Regional Order

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The IAFOR North American Conference on the Social Sciences 2014
Official Conference Proceedings

Abstract

This paper examines the Sino-American relations in the context of East Asian regional politics and regional order. More specifically the research addresses the questions: Does the power transition in East Asia associated with China's rise increase instability and balancing reaction of the region? How does Asian Pivot policy correlate to the regional reaction? The methodology involves case studies, comparative analysis, and statistical analysis of military expenditure and testing of Power Transition Theory. Chronologically the evolution of China's rise in the context of East Asian regional order is divided into three qualitatively different periods: 1991-2000, 2001-2010 and 2011-2013. The research identifies power transition and the regional leadership shift between Japan and China and its effects on the triangular Washington-Tokyo-Beijing relationship. Further a correlative pattern between China's rise and balancing strategy among the East Asian nations included in the case studies is developed. The effects of American rebalancing towards East Asia on the regional security environment are discussed.

Keywords: US, China's rise, East Asia, Asian Pivot

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The International Academic Forum
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Introduction

Sino-American relations are traditionally characterized in the International Relations scholarship as the most important bilateral relationship. The importance and urgency of the study of this relationship has only risen since Obama's "Asian Pivot" or rebalancing towards East Asia.

Despite numerous studies conducted and myriads of both scholarly and journalist articles written on the topic uncertainty continues to persist about the current developments and their potential impact on the future of the relationship and the East Asian region generally.

A recent study (Evans, 2011) of the literature classifies the schools of thought into the groups of primacists, exceptionalists and pragmatists. The primacist school (Aaron L. Friedberg, John J. Mearsheimer, Robyn Lim, Hugh White) based on harsh realism argues for the "strategic competition" and propagates the China threat theory. On the contrary the exceptionalists (David Kang, William H. Overholt, Kenneth D. Johnson and Edward Burman) are anchored on the concept of regional exceptionalism of the East Asia where the peaceful rise of China has been so far and will be possible in the future. Close to the exceptionalist school stands the conceptual stream headed by such prominent scholar as John Ikenberry who argues for the possibility of the peaceful rise of China but from a broader theoretical ground. Ikenberry stresses the importance of the liberal world order in which China is rising as a highly engaged power constrained by the multiple economic and other cooperative links. Another revisit of China threat theory was conducted by Lucia Husenicova (2014) who emphasizes the transformation process within the Chinese society and several other domestic factors that will constrain China's aggressive foreign policy in the near future.

Coming back to the regional scale of the observation of Sino-American relationship there is still another school bridging the opposing realist and liberal points of view. That is the "pragmatist school" of thought represented by such diverse scholars as Amitav Acharya, Muthiah Alagappa, Robert S. Ross, Ashlet Tellis and Michael Swaine and Avery Goldstein. They demonstrate the "multilayered" nature of the Asian security dynamics where "hard" alliance systems are combined with soft regional interdependence projects. Even a deeper concept of Southeast Asian nations' "omnienmeshment policy" of complimentary orientation and even shaping of great power's regional interaction patterns was introduced by Evelyn Goh (2007/2008).

Besides the conceptual differences in the analysis of current developments and political prognoses of the future much is debated in the study of the past of Sino-American relations. One of the key issues of the post-rapprochement US-China historic record is the dynamics of ups and downs on the spectrum of benign-hostile attitude towards each other. Yan Xuetong (2010) introduces an original theory of "superficial friendship" when mutual interests are perceived by the actors to surpass the conflicting interests while the reality is vice versa. The author argues that higher expectations and eventually the inability of actors to meet them because of the reality's dramatic difference from their perceptions is the root for the cyclical aggravation and improvement of the relations. Alastair Iain Johnston (2011) counters the proposed theory with several alternative explanations and "security dilemma" among others. Still other authors like Watanabe Tsuneo (2014) try to explain the

bumpy track of the US-China relations by “mapping four different policy groups” and their altering influence on the decision making process in Washington that shapes the American China policy.

Methodology

In this research I will focus on China's rise and the power redistribution in the region. More specifically the research addresses the questions: Does the power transition in East Asia associated with China's rise increase instability and balancing reaction of the region? How does Asian Pivot policy correlate to the regional reaction?

The scope of the research and the research question itself which is aimed at partial clarification of the debate on the future of Sino-American relations is anchored on the East Asian region. The regional scope of the research is stipulated by the fact that the impact of China's rise is most thoroughly resonated in the region. This is not a mere assumption rather than an argument. Factors contributing to the argument of China's foreign policy concentration on the East Asian region are:

1. Territorial and maritime disputes that China is engaged in,
2. High level of economic engagement with the region - East Asia accounted for 54% of China's foreign trade in 2011. Even if we take out Hong Kong the figure will stand at 43% (Verma 2013),
3. China's temporary inability to project power globally. “In a report to Congress last year, the Department of Defense predicted: “China ... will likely build multiple aircraft carriers over the next decade. The first Chinese-built carrier will likely be operational sometime in the second half of this decade.” (Robson 2014)”

In order to find out whether there is a causal relationship between the three variables identified in the research question: power transition/China's rise, instability and balancing, I use the method of case studies and comparative analysis. The case studies were carefully selected and include the countries that are either engaged in the maritime/territorial disputes with China or are major US allies that are at the intersection points of Chinese and American interests in the East Asian security and economic dimensions. The power transition theory is applied and tested for the case study of Sino-Japanese relations in 2001-2006 and 2008-2013. Alternative explanations are provided whenever the theory fails to explain the developments.

I suggest observing instability by focusing on the maritime disputes in East and South China Seas which are the main source of volatility in the region and measuring the frequency of their occurrence, as well as dynamics of military expenditures. The research also addresses public opinion surveys data coming from a whole historic period, establishment or projects of “hard” security alliances, frequency and magnitude of joint military exercises as well as variations in the structure of foreign economic relations.

Power Transition and Shift of Leadership in East Asia: Japan-China Case

One of the most crucial points of intersection of Sino-American interests in East Asia with the potential of deterioration is the Washington-Beijing-Tokyo triangle. So let us start with Japan.

“Sino-Japanese relations are one of the most important bilateral interactions in the Eastern hemisphere strongly influencing and determining the regional order of East Asia. The modern phase in Sino-Japanese relations started with the normalization of relations in 1972. Six years later the sides activated their interactions after striking a Treaty of Friendship, pledging “to develop relations of perpetual peace and friendship” (Ministry of Foreign Affairs of Japan 1978).” For more than two decades the Sino-Japanese relations have been developing on a mutually beneficial basis in an amicable atmosphere. The first aggravation came in 2001-2006 during the Japanese Prime Minister Junichiro Koizumi. A moderate normalization following that period was again substituted for even more fierce deterioration during the 2010-2013.

The application of the power transition theory (Tammen et al. 2000) to Sino-Japanese relations reveals much about the sudden ups and downs. The theory argues that the probability of the conflict between a rising and an established power is the highest when their relative potentials are roughly equal with an 80%/100% ratio. That period is called the “takeover” phase which starts when the potential of the rising power reaches 80% of that of the established power and ends when the formerly established power’s potential becomes less than 80% of the might of the rising power. We can argue that so far there were two takeovers in Sino-Japanese interactions: the first one was the military takeover (measured in military expenditure dynamics of China and Japan) and the second one - economic. The first takeover coincided with the incumbency period of the Japanese Prime Minister Junichiro Koizumi that was notorious of the aggravation in Sino-Japanese relations.

The data on the table depicts that the incumbency of Koizumi almost precisely overlapped with the military takeover (measured in terms of military spending) after which the relationship started normalizing.

Table1. 1st Takeover – Military Expenditure of China and Japan
Figures in \$ millions

Country/ Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
China	37040	45422	52832	57390	63560	71496	83928	96782	106640
Japan	60288	60250	60701	61460	61201	61288	60892	60574	59140

The second (economic) takeover started mounting in 2008 and actually occurred in 2010. After that year the Japanese GDP was constantly falling back of the Chinese one. What is interesting and unprecedented about this takeover is that the aggravation affected the Sino-Japanese economic relations, namely trade and investments, as well. This was against the East Asian exceptional and paradoxical axiom of “cold politics and hot economics”.

“In 2013, trade volume between China and Japan dropped 5.1% from the year before. That followed a 3.9% fall in 2012. To put these figures into context, China’s total trade was up 6.2% in 2012 and 7.6% last year while Japan’s volume increased 1.0% in 2012 but was down 7.8% in 2013. Not surprisingly, investment between China and

Japan has also taken a hit. Japanese direct investment in China dropped 4.3% last year even though overall foreign direct investment in China increased 5.3%. At the same time, China's direct investment in Japan fell 23.5% at a time when its overall outbound investment jumped 16.8% (Chang 2014)."

Power transition theory worked during the 2010 aggravation (captain detaining scandal, etc.) when China was during the takeover phase but does not work in terms of 80-100% rule of exiting the takeover. China's economy is already twice larger than Japanese but the relationship continues deteriorating. An explanation for that could be the US-Japan military alliance that provides Tokyo with an opportunity of more assertive foreign policy without yielding to China on Senkakau-Diaoyu and other issues while its economy falls dramatically back of the Chinese. The transition is going on not only between Japan and China but between US-Japan bloc on one side and China on the other. This partly explains the persisting aggravation and Japan's harsh stance. In this case there is yet another takeover to be expected which means another even more fierce aggravation of relationship between US-Japan and China.

Much has been said in the literature about the complicated US-China-Japan triangular relationship. Previously it was claimed (Yinling 1997) that two parties in this triangle have not joined hands against the third one. However the American reassurances to its East Asian allies and the whole Asian Pivot policy speaks for a change in Washington's decision making circles from hesitance to a firmer position.

An alternative explanation for the persisting aggravation can also be found in the domestic politics and namely the highest negative mutual perceptions in China and Japan since 1987 (Dingli 2013; Evan et al., 2008: 28). Given the democratic nature of Japanese political regime those perceptions are to be reflected in the foreign policy as well. This partly explains why the Koizumi "lost half-decade" (Bojiang 2006) of cold political ties when the highest negative was 50-68% (Evan et al., 2008: 28) throughout 2001-2006 period managed to be characterized by warm economic relations while the current period with the negative perception reaching the bar of 91% (Dingli 2013) periodically suffers from economic problems. Besides that China tries to get upper hand by using economic pressure due to the changed structure of Sino-Japanese trade (Sekiyama 2013).

The statistics (Evan et al., 2008: 28) demonstrate that parallel to China's constant economic and military buildup Japanese perceptions of China deteriorate severely from 70% positive perception in 1987 to 91% negative in 2014. Public opinion and Sino-Japanese relations are in dual track relationship: while the public opinion may be influenced by such deteriorating events in the relationship as maritime disputes, once deteriorated the opinion will further enforce political leaders to pursue a more assertive China policy that would be favorable by the public thus putting the aggravation of the relationship in a vicious cycle.

The Soil for Pivot

The last two decades of China's unprecedented growth were accompanied by strengthening economic relations with the region and ever-rising level of engagement. A boom in bilateral trade with ASEAN members started right after the Asian financial crisis of 1997. China's import from ASEAN countries rose from \$12.4 billion in 1997

to \$154.6 billion in 2010, while Chinese export to ASEAN increased from \$12.7 billion in 1997 to \$138.2 billion in 2010 (Tsai, Ming-Te & Tai-Ting Liu, 2011: 35). A giant lip was recorded in 2005-2007 when China jumped from the fifth line in ASEAN's largest trading partners list to the first place surpassing the US (Ming-Te & Tai-Ting Liu, 2011: 102). However, in the last several years the policy of economic engagement whose scale was growing on a mutually beneficial basis parallel to the growth of China's economy started being coupled with growing Chinese assertiveness. The Chinese broad strategy was to fill the geopolitical vacuum left by the United States after its adoption of the "benign neglect" policy (Mauzy and Job, 2007: 626-630). For decades the American analysts considered the region to be "marginal to security in Asia" and US was pursuing a "policy without strategy" (Banlaoi, 2003: 102).

The belated policy of Asian pivot caught the American policy making arsenal of guard. The growth of Chinese economy and its penetration into Southeast Asia have reached the point where the process is already irreversible given the limited GDP growth in the US and its inability to press China out of the region economically. In this dimension the geopolitical vacuum has already or is being rapidly filled by China. The only tool left in Washington's arsenal is its alliance system and security environment in East Asia. The recent Chinese assertiveness only raises the efficiency of that tool. A favorable soil for the Asian Pivot was created during the last decade of China's geopolitical expansion. The analysis of military expenditure data taken from Stockholm International Peace Research Institute military expenditure database (SIPRI, 1988-2013), which is the most reliable source on military spending, testifies that the regional players do not believe in China's peaceful rise. The high level of economic engagement is only one side of the medal whereas the other is the balancing strategy of East Asian nations.

Our case study group includes nations that are involved in maritime/territorial disputes with China (China, Taiwan, Japan, Vietnam, Philippines, Malaysia, and Brunei) some of which are US allies as well as major US allies not involved in disputes with China but worry of its growing geopolitical assertiveness (South Korea and Thailand).

Table 2: Military Expenditure in East Asia

Figures in \$ million

Country/Year	1991	2000	2010	2013
Brunei	434	359	432	402
China	20833	37040	136239	171381
Japan	49399	60288	59003	48604
Korea (South)	15535	20031	29912	32352
Malaysia	2461	2442	4187	4809
Philippines	1746	2186	2657	3208
Taiwan	11738	10385	9904	10288
Thailand	4272	3227	5362	5638
Vietnam	1181	No data	2878	No data

These figures give an insight into China's regional strategy. PRC used the 1990s for gathering strong economic momentum at the same time comparatively moderately

enhancing (by 81%) its military capabilities remaining in the paradigm of the peaceful rise. The next decade came to see more massive buildup of the Chinese armed forces with 3.7 times increase in spending paralleled with intensified disputes and border/maritime clashes with neighbors. In 2010-2013 period China was already far ahead of the second strongest nation in the East Asia –Japan, with PRC’s military spending twice as large as Japanese. However Beijing decides to pursue its armament policy further as it lays more and more assertive claims and engages in incidents. Among them are: “making at least 9 incursions into Philippines’ waters near Spratly in 2010, engaging into Scarborough Shoal incident in 2012, Chinese surveillance ships cutting the cables of oil and gas survey vessels operated by Vietnam’s state-owned energy firm, PetroVietnam; in response to Japan’s nationalization of the Diaoyu/Senkaku Islands, Beijing declares territorial sea baselines around the land, announcing Chinese administration of the disputed islands and directly challenging Tokyo’s control (Dingli 2013). As a result, two of China’s maritime agencies gain increased power over the waters and begin to increase their patrol in areas previously dominated by the Japan Coast Guard. Finally in 2013 China established the Air Defense Identification Zone announcing that it could take military action against aircraft flying near the islands, elevating the territorial dispute to airspace (Dingli 2013).” All these developments took place on the scene of 25% increase of PRC’s military spending during the last three years and launching of the first Chinese aircraft carrier in 2012.

The figures on the table demonstrate clearly that the East Asian region’s reaction was against David Kang’s (2013) propagated regional acceptance of China’s peaceful rise. In arguing so he mentions that EA nations have dropped their military spending measured as a share of GDP while China raised it military budget by 750%. This is a flawed methodology because he compares two quantities which are in different units of measure. If both Chinese and East Asian military spending are compared as shares of GDPs of the corresponding countries it is obvious that they follow the same pattern: “falling/flat since the Cold War” (Palamar, 2013). However, this method of observation may be misleading because of the rapid growth of GDPs of East Asian countries in the post-Cold War period. On the contrary observation of changes in the absolute values of military spending gives much clearer vision.

Furthermore, Kang argues: “Are some states spending so little because they shelter under a U.S. military umbrella? Unlikely. In 2012, countries with a U.S. alliance spent 1.73 percent on defense, almost exactly the same as non-ally countries. And if renewed U.S. security commitments provided a relief to those East Asian countries, military expenditures should have *increased* in U.S. allies during the years leading up to the pivot, and then decreased afterwards; instead, expenditures fell below two percent in 2000, and stayed there (Kang, 2013).” When measured in absolute terms the dynamics of military expenditure follow the exact pattern described by Kang. I argue below that most of East Asian countries involved in the case studies (1) decreased their military budget or showed slow/no growth in 1990s when China’s rise was peaceful; (2) demonstrated remarkable growth rate in military spending in 2000s, the assertive period of China’s rise; (3) and decreased the growth rate after the Asian Pivot, American reassurance to its allies and start of rebalancing towards the region. This pattern shows a causal relation between China’s assertive rise and fear of East Asian nations expressed in balancing strategy, as well as their reliance on American strategic presence in the region. Explanations are provided for each specific country

case that does not follow the pattern, arguing that there is still correlation between China's rise and fear of China that is simply not expressed in military expenditure for the reasons mentioned below.

Table 3: Averaged Annual Growth in Military Expenditures

Figures in \$million

Country/Period	1991-2000	2001-2010	2011-2013
Brunei	-1.8%	1.8%	-2.3%
China	5.9%	13.9%	7.8%
Korea (South)	2.5%	4%	2.6%
Malaysia	0%	5.5%	4.6%
Philippines	2.2%	1.9%	6.4%
Thailand	-2.8%	5.2%	1.6%

There is very limited data for Vietnam while the government keeps it in secret and averaged annual growth was impossible to calculate. But the existing data for 1990s shows that Vietnamese military budget declined in 1991-1994 from \$1181 million to \$796million and amounted to \$2878 million in 2010 which is in accordance with the trend-pattern identified above.

Brunei, South Korea, Malaysia and Thailand also classically follow the trend as demonstrated on the table.

Three countries do not follow the pattern: Philippines, Japan and Taiwan.

The problem with Philippines which accelerated its buildup rate after the Pivot can be explained by the fact that the country was most affected of all the East Asian nations by Chinese incursions in 2011-2013 and American reassurances were kind of post factum for it. Besides that the country does not host an American military base unlike Japan, South Korea and Thailand. One could argue that after the return of American troops to Philippines set by the recent treaty the growth rate of country's military expenditure would slow down.

The Japanese case is explained by their pacifist constitution and governmental policy pursued since WWII of not raising the military expenditure above 1% of GDP. Currently hot debates go on in the Japanese domestic politics concerning the revision of the constitution and the abovementioned policy.

Concerning the Taiwanese case it can be argued that due to the compact territory the country is able to effectively defend itself with limited capacities. Taiwan has shifted toward "asymmetrical systems and anti-access, area denial capability of its own. Rather than matching China ship for ship and plane for plane, Taiwan is fielding systems that imperil China's ability to operate in the Taiwan Strait (Mizokami, 2014)." Though unable to defeat the attacking People's Liberation Army forces Taiwan is able to inflict such heavy casualties on them that would turn the victory for Beijing into a pyrrhic one which PRC would hardly go for.

These explanations for the exceptions show that the three countries have adopted or adopting a policy of balancing China militarily and/or relying on US strategically.

Pivot

The US was to take advantage of the activation of balancing tendencies in the East Asian states during the late 2000s and early 2010s when an opportunity was created to counter the Chinese geopolitical expansion in the security dimension (while it was not possible for the US to do it in economic dimension). One of the prime tools of the Asian Pivot policy was to be the military exercises and drills. “Zhou Chenming from the Knowfar Institute for Strategic and Defense Studies, a Chinese think tank, said that more than half of the US military's exercises were held in East Asia in 2010. In 2011, about 172 drills were launched by the United States in the Asia-Pacific, averaging about one every two days. Exercise Cobra Gold is a clear example of just how rapid the escalation has been. The bilateral military drill was originally launched by the US and Thailand to maintain the Cold War Alliance between two nations. It became a multilateral military exercises after other nations included Singapore, the Philippines, Mongolia, Japan, Indonesia, South Korea and Malaysia began to attend, says Zhou. By pulling the United States into engagement in the Asia-Pacific, countries like Vietnam and the Philippines will gain a greater voice in stressing their territorial claims in the South China Sea. Hanoi has a common goal with Washington to contain the influence of China in Southeast Asia, Zhou says. American military support to Manila increased after the clash in 2012 (US Surrounding China with Military Exercises, 2012).”

“Tensions have been rising in the region with the dispute between China and Japan over the Senkaku Islands – known as Diaoyu in Chinese -- ... This strengthening has already begun with the Navy sending a newly upgraded, guided-missile cruiser, USS Antietam, to join the 7th Fleet based in Japan. The Antietam gives the Navy a more sophisticated air-defense system, particularly against ballistic missiles. More ships will be arriving in the region in the near future as the Pentagon continues its plan to shift around 60 percent of all Navy warships to the Asia-Pacific theater by 2020 (Kiernan, 2013).” Besides that the US has increased its marine contingent in Okinawa base (Japan) which reached the figure of 17.000 – a record high for over a decade.

Tiago Mauricio from CSIS argues that “given the transformations in the regional strategic environment, and budgetary constraints for the US and some of its allies, multinational military exercises are particularly alluring for their ability to bolster deterrence on the cheap”. The US–Japan amphibious military exercises that took place in January and February 2014, however, provide strong evidence that exercises can act as a significant deterrent. This year’s iteration of the annual ‘Iron Fist’ exercise series, which began in 2006 was the largest and most integrated US–Japan amphibious military exercise to date, and simulated the retaking of islands. The fear in Tokyo and Washington is that Beijing may, overtly or covertly, deploy troops and seize the Senkaku/Diaoyu Islands in a short, sharp war, presenting Japan with a fait accompli (Mauricio, 2014).”

Conclusions

Several conclusions can be drawn from the previous analysis.

First of all it was demonstrated that China's rise in 1990s was qualitatively different from its rise in 2000s in terms of the evolution of the nation's foreign political posture.

Second, the aggravation of Sino-Japanese relations and strategy shift from engagement to hedging and then from hedging to limited balancing was greatly stipulated by the leadership takeover and power transition in East Asian region which resulted in a more assertive China and more worry Japan.

Third, most of the East Asian major nations reacted differently to China's rise in 1990s and 2000s. While they were not worry of it during the 90s and pursued the policy of engagement and development of bilateral ties with PRC, ASEAN countries adopted a new approach during the early 2000s. What is often vaguely described as omnienmeshment policy was a dual track strategy of engaging China and balancing it with raising the military budget. In 2010-2013 when China's assertive rise of 2000s went out of its latent phase and entered the phase of obvious yet minor clashes with neighbors and belligerent rhetoric, America started its policy of rebalancing towards East Asia which resulted in "calming down" of several nations in the region.

Forth, the US Asian Pivot was possible due to changed security environment when the East Asian nations started fearing China's rise and welcomed American increased geopolitical penetration into the region. Previously the only door for the enhancement of US influence opened by ASEAN was the economic one where China was far stronger competitor for a number of reasons.

Fifth, the East Asian security environment is currently in a crisis when the possibility of limited military conflicts is high and when the necessity of confidence building measures is of crucial importance.

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