

Preserving Peace as China Rises II: Preparing for a Post-American Asian Order

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EXECUTIVE SUMMARY

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Since World War II, the United States has been the Indo-Pacific's benevolent hegemon. Capitals across the region—from Seoul to Canberra—have depended directly on Washington for their security, while US military might has kept would-be aggressors like Maoist China at bay and underwritten common goods like freedom of navigation.

Without incomparable wealth and the unbeatable fighting power that it financed, the United States would have been incapable of making this monumental contribution to collective peace and security. Notwithstanding its extensive attendant benefits, this era of unrivalled US economic and military leadership lives on borrowed time. With the resurgence of the great civilisational nations of China and India, and the rapid rise of dynamic trading blocs like the Association of Southeast Asian Nations (ASEAN), the Indo-Pacific will be unmistakably multipolar in the twenty-first century.

In 2050, China's economy will be worth more than US\$25 trillion, with its annual military spending surpassing US\$1 trillion. This will make the Chinese economy 113% the size of the US economy and its defence budget 114% the size of the US defence budget. By mid-century, India is on track to be the world's third biggest economic and military power, with a GDP of more than US\$8 trillion and a defence budget of nearly US\$300 billion. Meanwhile, the once impoverished ASEAN member states are likely to have a total GDP of more than US\$6 trillion and combined military spending of nearly US\$200 billion per annum, which would put ASEAN's GDP and military spending at fourth place globally.

The United States will, of course, still be one of the leading Indo-Pacific powers in 2050. Its economy will be worth more than US\$22 trillion, with its defence budget worth nearly US\$900 billion. Although the United States will still be an indispensable security provider for its allies and partners, Washington will command neither the wealth nor the military might to singlehandedly guarantee peace and security in the Indo-Pacific region in the age of economic, diplomatic and military multipolarity.

There are nevertheless promising signs that as the Indo-Pacific transitions from a US-led order to a multipolar international system, a balance of power between China, the United States, India and ASEAN will emerge. Among these four key Indo-Pacific poles of power in 2050, China will account for 41% of the total GDP and 43% of the total military spending, with the United States

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accounting for 36% of the total GDP and 37% of the total military spending, and India and ASEAN each accounting for approximately 10% of the total GDP and military spending. This rough balance of power will help preserve peace and security by ensuring that no one country is able to dominate the region.

Despite the emergence of an Indo-Pacific balance of power, the risk of instability and conflict will remain ever present as the region's great powers vie for international influence. To mitigate dangerously destabilising tensions in the Indo-Pacific, this report proposes three institutional initiatives.

1. A government-to-government Indo-Pacific Dialogue (IPD1):

- Establish an annual officials-only forum for heads of state and foreign and defence ministers to exchange views on the key strategic challenges facing the Indo-Pacific region.
- The IPD1 will decrease distrust among Indo-Pacific nations by facilitating mutual understanding of strategic objectives.

2. A non-government Indo-Pacific Dialogue (IPD2):

- Establish an annual non-government forum to canvass strategic concerns and solutions from experts in the foreign and defence policy communities of IPD1 participant countries.
- The IPD2 will inform the IPD1's agenda and defuse strategic distrust among the opinion makers who influence the thinking of political leaders, policymakers and the public-at-large.

3. Hotlines between national security councils:

- Establish hotlines between the recently created Chinese National Security Council (NSC) and its US and Indian counterparts.
- Hotlines between NSCs will encourage mutual understanding of strategic objectives and reduce the risk of accidents and miscalculations straining relations and provoking crises.

The end of US unipolarity

The owl of Minerva begins its flight only with the onset of dusk.

— G.W.F. Hegel, *Elements of the Philosophy of Right*¹

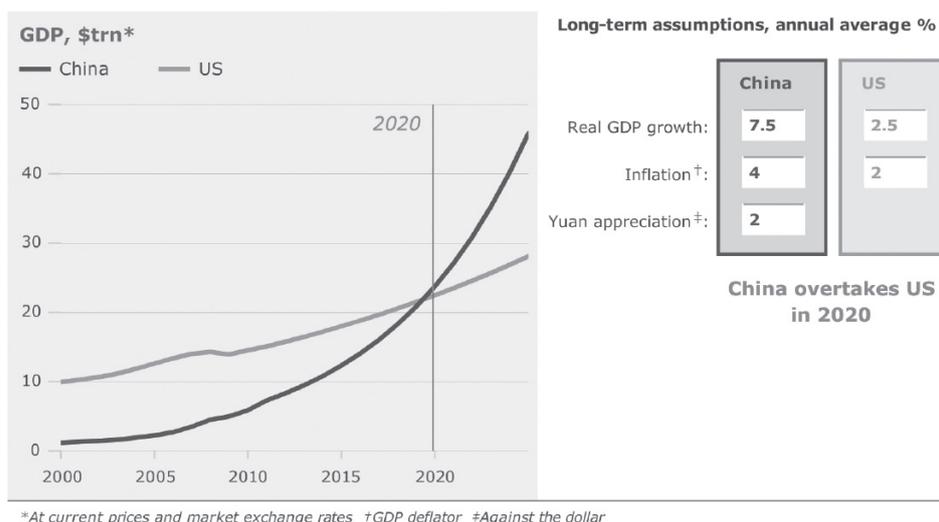
In the history of the globe's great powers, 2014 marks a monumental milestone.* *The Economist* has forecast that adjusted to reflect purchasing-power parity (PPP), the United States will not possess the world's largest economy by the end of this year for the first time since 1890.² Previously predicted by the International Monetary Fund (IMF) to surpass the US economy in PPP terms by 2019, the Chinese economy will now be crowned the new global heavyweight by at least one measure in a matter of mere months.³

As commentators rushed to point out, GDP adjusted to reflect PPP is just one of the many relevant measures of economic power, and is arguably less indicative of genuine economic weight than nominal GDP (GDP determined by exchange rates).⁴ The impact of China's impending GDP (PPP) pre-eminence is further tempered by decisive US superiority in other economic arenas: US GDP per capita is still more than eight times higher than Chinese GDP per capita, the United States is the recipient and source of much larger volumes of foreign direct investment (FDI) than China, and the US higher education system remains the world's best by a massive margin (149 US universities in the top 500 universities globally versus China's 28).⁵

For US global leadership, however, the 2014 Chinese GDP (PPP) eclipse is portentous. Although China's economic rise is far from complete, this pivot point in the balance of global economic power highlights an unmistakable trend line: The 'unipolar moment,' during which the United States was the unrivalled global superpower, lives on borrowed time.⁶

The 'unipolar moment,' during which the United States was the unrivalled global superpower, lives on borrowed time.

Figure 1: Projected year in which nominal Chinese GDP will surpass nominal US GDP



Source: 'The dating game,' *The Economist* (27 December 2011).

* Definitions of great power status vary, but at minimum, a great power must possess the economic, diplomatic and military power to exert a substantial influence over events throughout the globe. See, for example, Martin Griffiths and Terry O'Callaghan, *International Relations: The Key Concepts* (London: Routledge, 2002), 132–134.

China is poised to match the combined naval power of Japan and the United States in the Western Pacific by the late 2020s.

The US military remains the world's most technologically sophisticated fighting force, while the US defence budget could be as much as 3.5 times larger than China's.⁷ Yet as the Chinese economy surpasses the US economy in nominal GDP value by the end of this decade, China's middle class consolidates its position as the numerically largest in history, and other gargantuan emerging economies like India, Indonesia and Brazil push to emulate the Chinese trajectory, global 'economic and diplomatic multipolarity' will quickly morph into global 'military multipolarity.'⁸

Having already begun developing a fully fledged blue-water navy of aircraft carriers and nuclear-powered and ballistic missile-armed submarines, China is poised to match the combined naval power of Japan and the United States in the Western Pacific by the late 2020s.⁹ Meanwhile, analysts believe that China commands the world's premier conventional ballistic and cruise missile force, including supersonic anti-ship cruise missiles, which have no operational US equivalents, and the world's first anti-ship ballistic missile.¹⁰ Combined with a defence budget that is expected to surpass the US defence budget by the 2030s, and military capabilities that are predicted to equal US military capabilities by the 2040s or 2050s, these developments will consign to history the era of peerless US military might.¹¹

Security after American pre-eminence

The bonds of words are too weak to bridle men's ambition, avarice, anger, and other passions without the fear of some coercive power.

— Thomas Hobbes, *Leviathan*¹²

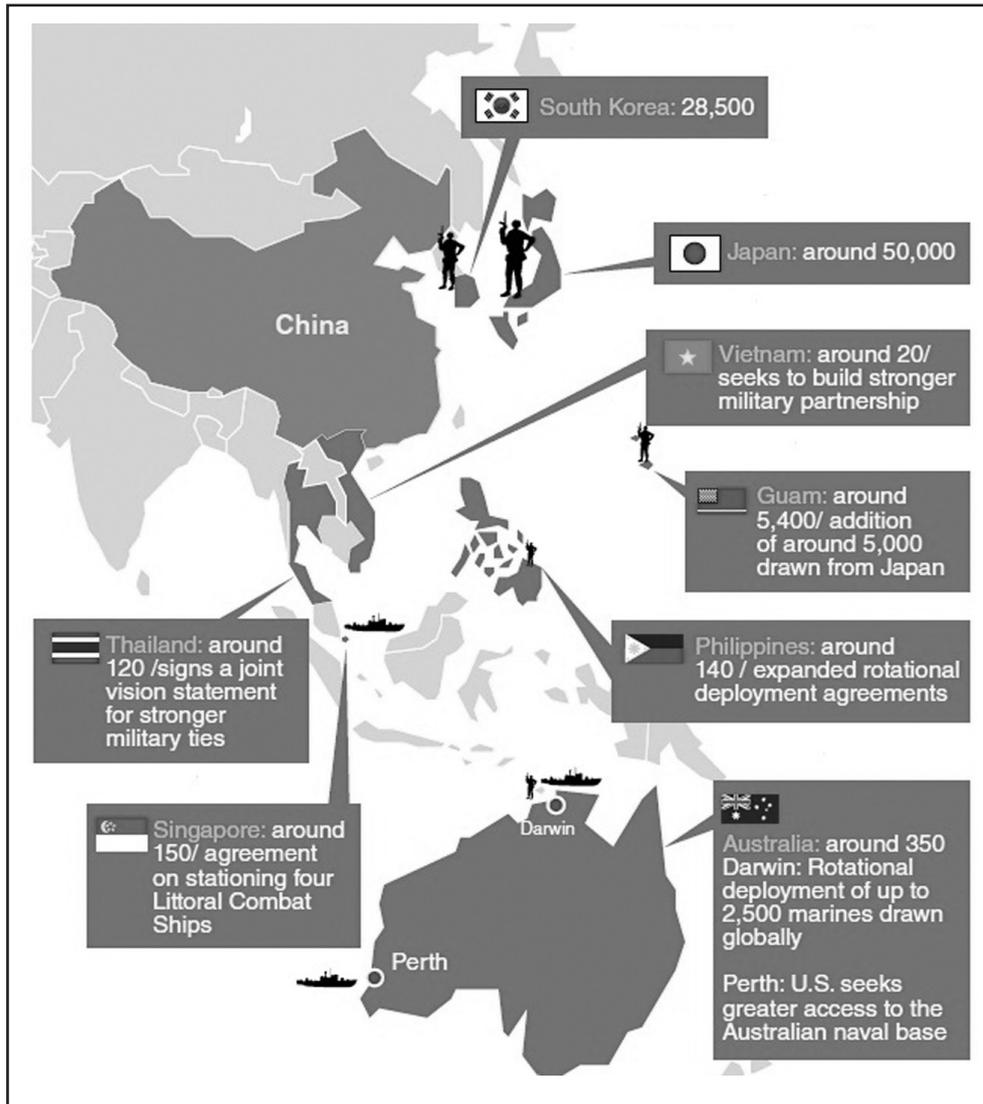
In the wake of World War II, the United States underwrote the Indo-Pacific region's relative peace and security. As the 'hub' of a system of alliances and partnerships, Washington effectively served as the security guarantor for numerous 'spokes,' including allies like Japan, South Korea, the Philippines, Thailand and Australia, and security partners like Taiwan and Singapore.¹³ In this 'hub and spokes' security system, the United States was a Hobbesian leviathan: A 'mortal God' who 'has the use of so much power and strength conferred on him' that he can bridle the ambitions of would-be aggressors and thereby guarantee peace and security.¹⁴

In the words of liberal international relations theorist G. John Ikenberry:

The United States offered Japan, and the region more generally, a postwar bargain: it would provide Japan and other countries with security protection and access to American markets, technology, and supplies within an open world economy; in return, Japan and other countries in the region would become stable partners that would provide diplomatic, economic, and logistical support for the United States as it led the wider, American-centred anti-Communist postwar order.¹⁵

† The international system replacing the US unipolar moment is multipolar and not 'nonpolar' or 'multiplex.' To be sure, a multiplicity of state and non-state actors will jockey for power in an increasingly globalised world —the 'nonpolar' or 'multiplex' dimension of international affairs in the twenty-first century. See Richard N. Haass, 'The Age of Nonpolarity: What Will Follow U.S. Dominance,' *Foreign Affairs* (May/June 2008); Amitav Acharya, *The End of American World Order* (Cambridge: Polity Press, 2014), 1–11. However, a limited number of poles of power, most notably China, India, Russia, ASEAN, Brazil and, of course, the US-led network of alliances and partnerships spanning the North Atlantic and East Asia, will dominate the international system of state-to-state relations.

Figure 2: US troop deployments in the Western Pacific



Source: Song Sang-ho, 'U.S. steps up policy for Asia-Pacific rebalancing,' *The Korea Herald* (13 January 2013).

With US power in relative decline and the resulting emergence of a multipolar world order, this 'hub and spokes' system of alliances and partnerships is an unsustainable model for peace and security. To be sure, a US military drawdown in the Indo-Pacific in the form of a pivot away from the Obama administration's signature economic, diplomatic and military 'pivot' to Asia risks fuelling militarisation and inviting Chinese aggression.¹⁶

However, although the United States will remain an indispensable security provider for its allies and partners, Washington alone will not be able to provide what is indispensable for peace and security in the Indo-Pacific region as a whole. In the absence of the overwhelming strength of a power—like the United States—capable of guarding against a Hobbesian 'war of everyone against everyone,' Indo-Pacific nations will need to find other means of reducing the likelihood of conflict and imposing sufficiently high costs on states that threaten the region's peace and security.¹⁷

Washington alone will not be able to provide what is indispensable for peace and security in the Indo-Pacific.

There are promising signs that a 'balance of power' capable of preserving peace and security will emerge in the Indo-Pacific.

Box 1: The Obama administration's 'pivot' to Asia

After more than a decade of costly and bloody wars in the Middle East and Central Asia, continuing relative decline vis-à-vis China, and defence budget cuts, the United States' economic, diplomatic and military pivot to Asia is a bid to reassure allies and partners that it will continue to extend its security umbrella to the Indo-Pacific and remain economically and diplomatically invested in the region.¹⁸

Washington plans to base 60% of its naval forces in the Pacific Ocean by 2020, including six aircraft carriers and a majority of US littoral combat ships, cruisers, destroyers and submarines.¹⁹ The pivot is also aimed at delivering deeper diplomatic ties with Asian nations and regional multilateral organisations like the Association of Southeast Asian Nations (ASEAN), as well as boosting cross-Pacific trade via initiatives like the Trans-Pacific Partnership (TPP) free-trade agreement.²⁰

Abandoning this pivot to Asia would destabilise the region by raising doubts about the reliability of Washington's security commitments.²¹ Perceptions of US unwillingness to act as a credible strategic counterweight to possible aggressors like China could also unleash a toxic wave of militarisation, and potentially prompt particularly vulnerable Asian nations, most notably Japan, Taiwan and South Korea, to develop nuclear weapons.²²

A US military drawdown in the Indo-Pacific may equally make fear of Chinese coercion a self-fulfilling prophecy. China already frequently employs naval brinkmanship and 'lawfare'—the use of legal mechanisms to achieve strategic and military goals—in its territorial disputes with US allies and partners in the East and South China seas.²³ By responding to resurgent Chinese power with a scaling back of its regional security role, the United States would tacitly encourage China to use even more aggressive tactics to seize disputed territory from its maritime and continental neighbours.²⁴

An Indo-Pacific balance of power

India should rise quickly. We have great expectations from India.

— Ambassador Dang Dinh Quy, President of the Diplomatic Academy of Vietnam, May 2014²⁵

As the United States loses pre-eminence in the Indo-Pacific and is forced to abdicate its position as the region's benevolent hegemon, there are promising signs that a 'balance of power' capable of preserving peace and security will emerge.²⁶ Although this balance of power system will involve many small and middle powers establishing and/or deepening strategic partnerships and alliances among themselves and with the region's great powers, the system's key balancing poles of power will be China, the United States, India and the Indonesia-centred ASEAN bloc.²⁷

‡ The reasons for excluding Japan and Russia from the key poles of power in the Indo-Pacific in 2050 are explored in Appendix A.

Figure 3: The key poles of power in the Indo-Pacific, 2010 and 2050^{§28}

		2010	2050	World rank in 2050**
China	Population (million)	1,338	1,385	2
	GDP (US\$ billion)	\$3,511	\$25,334	1
	Military spending (US\$ billion)	\$136	\$1,013	1
United States	Population (million)	309	400	4
	GDP (US\$ billion)	\$11,548	\$22,270	2
	Military spending (US\$ billion)	\$720	\$891	2
India	Population (million)	1,206	1,620	1
	GDP (US\$ billion)	\$960	\$8,165	3
	Military spending (US\$ billion)	\$49	\$286	3
ASEAN	Population (million)	592	787	3
	GDP (US\$ billion)	\$1,008	\$6,518	4
	Military spending (US\$ billion)	\$31	\$196	4

Source: Various.²⁹

The four key Indo-Pacific poles of power will create a seesaw balance of power structure. With the Indo-Pacific's second-largest population of nearly 1.4 billion and biggest economy of more than US\$25 trillion in 2050, China is also likely to emerge as the region's most formidable military power with a defence budget of more than US\$1 trillion. This will make China the first major load point of the Indo-Pacific's balance of power seesaw: China will possess a population more than three times the size of the United States, an economy 113% the size of the US economy, and a defence budget 114% the size of the US defence budget.

China will even emerge as an intimidating military competitor to the United States if its military spending as a percentage of GDP remains stagnant at 2% and its GDP only reaches parity with US GDP in 2050 instead of at the end of this decade. Even in this unlikely scenario, China would command a defence budget of roughly US\$450 billion in 2050, or approximately 50% of the size of the projected US defence budget at that time. Despite a much smaller defence budget, the challenge posed by China to US military pre-eminence in the Indo-Pacific in this scenario would still be acute because China enjoys the asymmetrical advantage of occupying the geographical heart of the region, while the United States needs to project military power across the vast Pacific Ocean.

Not surprisingly, the United States will be the other major load point of the Indo-Pacific's balance of power seesaw. Although the United States with a population of approximately 400 million will still be the demographically smallest Indo-Pacific pole of power in 2050, it will possess the region's second-largest economy and defence budget, worth more than US\$22 trillion and US\$890 billion, respectively. This means that the US economy will be 88% the size of the Chinese economy, while the United States will spend the equivalent of 88% of the Chinese defence budget on its military.

§ Population data and projections come from the World Bank and the United Nations. GDP data and projections come from HSBC, with missing figures for select ASEAN member states coming from the World Bank and the United Nations. Military spending data for 2010 comes from the Stockholm International Peace Research Institute, except for Myanmar, which uses a 2012 figure from the Defence Intelligence Organisation. The 2050 military spending projections are calculated based on assumptions regarding military spending as a percentage of GDP. For further details of the 2050 military spending projections, see endnote 29.

** This world ranking excludes the European Union (EU).

The key balancing poles of power in the Indo-Pacific will be China, the United States, India and the Indonesia-centred ASEAN bloc.

Military spending and GDP will be fairly evenly balanced among the Indo-Pacific's four key poles of power in 2050.

The military strength of the US pole of power will be further bolstered by Washington's network of Indo-Pacific alliances. The United States and its five regional allies (Japan, South Korea, the Philippines, Thailand and Australia) are expected to collectively spend roughly US\$1.1 trillion on their militaries in 2050, which is likely to be US\$100 billion more than China, or the equivalent of 110% of Chinese military spending. Moreover, even excluding US allies, if the United States' military spending as a percentage of GDP returned to early Cold War levels of approximately 10%, the US defence budget could rise to more than US\$2.2 trillion, or roughly double the size of the expected Chinese defence budget.³⁰

In addition to the Chinese and US load points, the Indo-Pacific's balance of power seesaw will have two balancers—India and ASEAN—that are fully aligned with neither the United States nor China.³¹ India will be a gargantuan—and still rapidly expanding—economic and military power in 2050. At more than 1.6 billion, India's population will be 117% the size of China's population, with its GDP worth more than US\$8 trillion and its defence budget worth nearly US\$300 billion. This will make the Indian economy and defence budget both roughly a third of the size of their Chinese counterparts.

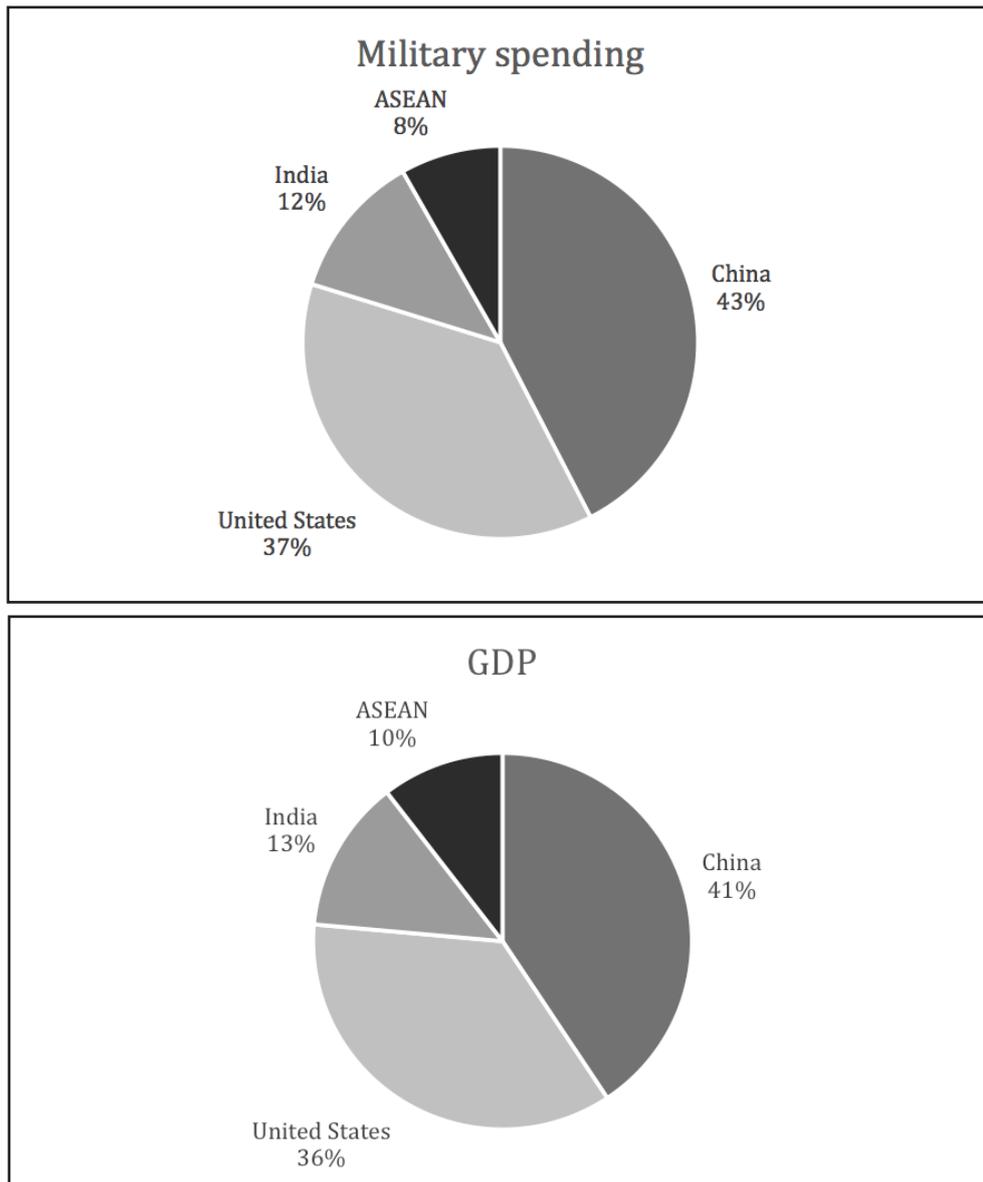
ASEAN is often incapable of acting in a unified manner to tackle strategic challenges. For example, despite the immediate threat posed by Chinese territorial claims in the South China Sea to Vietnam, the Philippines, Malaysia, Brunei and Indonesia, a lack of consensus among member states means that ASEAN restricts itself to cautious and generally ineffective responses, such as expressing 'serious concerns.'³² Nevertheless, with some of ASEAN's most powerful member states—most notably Indonesia, Malaysia, the Philippines, Singapore and Vietnam—signalling that they appreciate the need to respond to Chinese assertiveness in the South China Sea, there are tentative signs of a greater degree of strategic coherence in this Southeast Asian collective.³³

However, even if ASEAN's emergence as a viable strategic actor remains incomplete, the bloc's soaring economic prospects and huge population will weigh heavily on the considerations of strategists in Beijing, Washington and New Delhi, thereby making ASEAN a major—if ponderous and often uncoordinated—balancer in the region's balance of power. ASEAN's total population will be nearly 800 million in 2050, with its total GDP worth more than US\$6 trillion and its total annual military spending worth nearly US\$200 billion. This will make ASEAN's population the equivalent of 55% of China's population, its GDP approximately 25% of China's GDP, and its military spending roughly 20% of China's military spending.

Overall, military spending and GDP will be fairly evenly balanced among the Indo-Pacific's four key poles of power in 2050. India and ASEAN will each account for roughly 10% of the total GDP and military spending of the four key poles of power, while China will account for 41% of total GDP and 43% of total military spending, and the United States will account for 36% of total GDP and 37% of total military spending.

With China only accounting for 41% of the total GDP and 43% of the total military spending, even the most economically and militarily powerful of the Indo-Pacific's four key poles of power would not be able to establish hegemony over the region. If the other three key Indo-Pacific poles of power collectively blocked Chinese attempts to assert leadership, China would be left at a distinct disadvantage: China's military spending would be only 69% of the military spending of the other three key poles of power combined, with the value of its GDP only 74% of the value of the GDP of the other three key poles of power combined.

Figure 4: Balance of military spending and GDP between the four key poles of power in the Indo-Pacific, 2050



Source: Various.³⁴

Maintaining equilibrium

An enduring general peace by means of the so called balance of powers in Europe is, like Swift's house, which was built so perfectly by a master builder according to all the laws of equilibrium that it immediately collapsed when a sparrow landed on it, a mere fantasy.

— Immanuel Kant, *On the Common Saying: This May Be True in Theory, But it Does Not Hold in Practice*³⁵

World War I tragically illustrates how vulnerable balances of power are to instability and collapse. After the chaos of the Napoleonic Wars, which engulfed Europe from 1803 to 1815, European nations enjoyed almost a century of relative peace and security.³⁶ Notwithstanding major clashes like the Crimean War (1854–56) and the

World War I tragically illustrates how vulnerable balances of power are to instability and collapse.

Regional powers are unlikely to object to a balance of power that is the organic by-product of their pre-existing foreign policy priorities.

Franco-Prussian War (1870–71), a rough balance of power dampened destructive and destabilising conflicts between the continent’s great powers.³⁷ However, this balance of power violently imploded in 1914 when a dangerously rigid system of alliance diplomacy plunged Europe’s great powers into one of the most ferociously destructive wars in history.³⁸

This European experience suggests that an Indo-Pacific balance of power is not a foolproof means of guaranteeing peace and security. Indo-Pacific nations could be drawn into war through an unexpected series of misjudgements (e.g. military miscalculations in the East and South China seas between China and US allies and partners), or engage in dangerously aggressive brinkmanship on the incorrect assumption that other states will bow to their pressure (e.g. Chinese strongarm tactics over the Japanese-controlled Senkaku/Diaoyu islands). Moreover, the risk of tension and even war will be particularly acute during the decades before 2050 as the region grapples with the transition from US leadership to multipolarity.

It might be argued that the ever-present risk of instability and conflict means that a more formalised and secure international architecture akin to an Indo-Pacific League of Nations is required. This could take the form of Hugh White’s ‘Concert of Asia’ between the United States, China, Japan and India, or Shinzo Abe’s ‘democratic security diamond’ of the United States, Japan, Australia and India.³⁹ Quite aside from the particular merits and drawbacks of these and similar institutionalised security arrangements, a balance of power offers one obvious advantage: Unlike formalised international architecture that will be difficult, if not impossible, to establish, an Indo-Pacific balance of power builds on the existing grand strategies of the region’s great powers.^{††40}

An Indo-Pacific balance of power places China as a central regional security actor; envisions extensive and ongoing US security engagement in the region; welcomes India’s rise as a key Indo-Pacific pole of power; and embraces deepening ASEAN security cooperation.^{‡‡} Whereas formalised regional security architecture is likely to frustrate and alienate certain nations depending on its precise structure (see, for example, endnote 41), regional powers are unlikely to object to a balance of power that is the organic by-product of their pre-existing foreign policy priorities.⁴¹

Indeed, despite Beijing’s bitter historical antagonisms with major Indo-Pacific powers and notoriously revisionist geostrategic gambits in the East and South China seas and on the Indian sub-continent, a balance of power is even likely to cohere with China’s vision for the region. In the Mao Zedong and Deng Xiaoping eras, China railed against the ‘great-power chauvinism’ and ‘superpower hegemony’ of the United States and Soviet Union, and called for an international system more representative of the interests of a diverse range of nations.⁴² Building on this longstanding preference for an end to the Cold War’s bipolar international system and the unipolar US-led global order, Beijing seeks a ‘multipolar world.’⁴³ By taking

†† Robert Jervis also points out that formalised security architecture is unlikely to endure: ‘There are no cases of world government, world federation, or even a worldwide pluralistic security community. The closest thing is the concert system, which has occurred only three times in modern history—from 1815 to 1854 (although in its strongest form it only lasted until 1822), 1919 to 1920, and 1945 to 1946.’ See Robert Jervis, ‘From Balance to Concert: A Study of International Security Cooperation,’ *World Politics* 38:1 (October 1985), 58.

‡‡ An Indo-Pacific balance of power may admittedly be hard to reconcile with US President Barack Obama’s recent reiteration of what Washington considers to be the indispensability of American global primacy. See Barack Obama, ‘Full transcript of President Obama’s commencement address at West Point,’ *The Washington Post* (29 May 2014). However, such a balance of power, which envisions extensive and ongoing US security engagement in the region, is certainly consistent with the Obama administration’s signature economic, diplomatic and military pivot to Asia.

responsibility for Indo-Pacific peace and security out of US hands alone, and placing it in the hands of the region's key poles of power, a balance of power would be *grosso modo* the multipolarity that Beijing has long sought.

An Indo-Pacific balance of power would also help secure international common goods that are essential for China's continued rise, most notably free trade and freedom of navigation.⁴⁴ Like China, India and ASEAN have an ambivalent attitude towards the enforcement of the international law and human rights norms advocated by Washington and its allies and partners.⁴⁵ However, all four key Indo-Pacific poles of power are strongly committed to securing largely unimpeded international flows of goods and capital.⁴⁶

Of course, an Indo-Pacific balance of power would not give Beijing precisely what it seeks. In part, such a security system would be aimed at counterbalancing Chinese power and ensuring that China is not able to, for example, bully its maritime and continental neighbours into giving up their territorial claims. As a result, territorial tensions in the East and South China seas and on the Indian sub-continent will be ongoing as an Indo-Pacific balance of power emerges.^{§§} However, a quantum of Chinese discontent is to be welcomed: If a mechanism for guaranteeing peace and security under the condition of multipolarity is working well, it is likely to at times frustrate the wishes of some states. In fact, when China attempts to intimidate its neighbours and extract unfair advantages, an Indo-Pacific balance of power would be effective precisely if it frustrated Chinese ambitions.

Deepen dialogue

Although I think your comments, or rather your criticisms, on China were groundless, frankly expressing your views is not necessarily a bad thing.

— Wang Guanzhong, Deputy Chief of General Staff, People's Liberation Army (PLA), May 2014⁴⁷

The inherent instability of balances of power means that avoiding and managing flare-ups in tension between Indo-Pacific powers will remain an ongoing and complex task. This report proposes three institutional initiatives to help guard against and sooth destabilising disputes:

1. Establish an annual government-to-government (track 1 diplomacy) Indo-Pacific Dialogue.
2. Establish an annual non-government (track 2 diplomacy) Indo-Pacific Dialogue.
3. Create fast and reliable communication channels between the Chinese National Security Council (NSC) and its US and Indian counterparts.⁴⁸

As the Indo-Pacific grapples with the irreconcilable strategic objectives of key regional powers (e.g. mutually incompatible territorial claims), dialogue and communication channels will, of course, not be able to fully mitigate the risk of tension and war. Nevertheless, these institutional initiatives will at least reduce the likelihood of dangerous strategic misunderstandings and misjudgements, and thereby contribute to peace and security.

^{§§} Strategies for minimising tensions associated with territorial disputes in the East and South China seas and on the Indian sub-continent will be explored in a forthcoming CIS research report.

Avoiding and managing flare-ups in tension between Indo-Pacific powers will remain an ongoing and complex task.

Dialogue and communication channels will reduce the likelihood of dangerous strategic misunderstandings and misjudgements.

The government-to-government (track 1 diplomacy) Indo-Pacific Dialogue, or IPD1, would be held annually and allow heads of state and foreign and defence ministers to exchange views on the key strategic challenges facing the region. By modelling the IPD1 on officials-only human rights dialogues, this forum would not be overshadowed by the divisive theatrics and posturing that often feature in forums open to the media and the broader foreign and defence policy communities.⁴⁹ Consider, for example, the unproductive invective and controversy surrounding the publicly reported US, Japanese and Chinese contributions to the Shangri-La Dialogue earlier this year.⁵⁰

Although the closed-door IPD1 would be a powerful antiseptic against 'strategic distrust,' it should not be billed as a forum to resolve particular irritants (e.g. the territorial dispute between China and Japan over the Senkaku/Diaoyu islands).⁵¹ Not only would it be overly ambitious to seek solutions to contentious points of disagreement in a forum aimed at the free and frank exchange of concerns, but tackling specific disputes risks aggrieving and embarrassing the countries involved and undermining the legitimacy and effectiveness of the IPD1. For example, given Beijing's strong preference for bilateral negotiations over sovereignty disputes, China would forcefully rebuff attempts to adjudicate any of its territorial claims in a multilateral forum like the IPD1.⁵²

To avoid duplicating institutions and to maximise the likelihood of attendance at the highest levels, the IPD1 should be established as a supplementary forum to the East Asia Summit (EAS). As well as leveraging off the international architecture already in place for the EAS, holding the IPD1 in conjunction with the EAS would be logical given the intended participants.⁵³ The EAS already attracts the four key Indo-Pacific poles of power (China, the United States, India and ASEAN), as well as the nations involved in many of the region's most bitter strategic, territorial and historical disputes (China, the United States, Japan, South Korea, Vietnam, the Philippines, Brunei, Malaysia, Indonesia and India).⁵⁴

The IPD1 should be supplemented with an annual non-government (track 2 diplomacy) Indo-Pacific Dialogue, or IPD2. Although strategic distrust at the government-to-government level typically receives the bulk of scrutiny, academic papers, think tank reports, and newspaper opinion pages demonstrate that mutual suspicion is also endemic across the non-government segments of foreign and defence policy communities.⁵⁵ With the IPD1 serving as a forum for high-level government-to-government diplomacy, the IPD2 would offer a complementary and equally indispensable forum to defuse strategic distrust among the opinion makers who influence the thinking of political leaders, policymakers and the public-at-large.⁵⁶

If the IPD2 were held two weeks ahead of the IPD1 in the same city, it could also help inform the IPD1's agenda. Modelled on the G20 sherpas who are charged with conducting pre-summit consultations, a foreign or defence policy official from each participant country could shepherd proposals and concerns thrashed out in the open-forum IPD2 to the leaders of their respective countries in advance of the IPD1.⁵⁷ The combination of the IPD1 and the IPD2 would amount to track 1.5 diplomacy: A powerful mixture of private government-to-government dialogue and expert non-government public debate that would facilitate the discussion of key strategic challenges at the highest official level and the exchange of concerns and proposals between broader foreign and defence policy communities.⁵⁸

Expand communication channels

The maxim of preserving the balance of power is founded so much on common sense and obvious reasoning.

— David Hume, *Of the Balance of Power*⁵⁹

To head off potential crises, key Indo-Pacific capitals should also build additional communication channels between civilian and military leaders. In particular, China should establish hotlines between its new NSC and its US and Indian counterparts to facilitate mutual strategic understanding and reduce the risk of accidents and miscalculations straining relations and provoking crises.⁶⁰

Although the PLA and the US military are connected by a hotline, it reportedly only goes to a telecommunications directorate on the Chinese side.⁶¹ In the event of heightened tension or a crisis, there would be doubt as to which Chinese military leaders will be reached.⁶² Moreover, given that Beijing has cut the hotline for extended periods as a result of hiccups in Sino-US relations, the hotline may also be suspended when it is most needed.⁶³

China and India are negotiating the establishment of a Directors General of Military Operations (DGMO) hotline similar to the emergency communication channel between New Delhi and Islamabad.⁶⁴ However, the DGMO hotline remains a work in progress: China wants the connection to be linked to regional PLA headquarters in southwest China, while India wants it to connect military headquarters in Beijing and New Delhi.⁶⁵

With the creation of China's NSC following a major round of reform at the end of 2013, now is an opportune moment to establish hotlines between peak security, defence and foreign policy bodies in Beijing, Washington and New Delhi.⁶⁶ China's new NSC will be headed by President Xi Jinping and answerable to the immensely powerful Political Bureau Standing Committee.⁶⁷ Despite early speculation that the Chinese NSC would primarily focus on domestic security threats, the release of China's first national security 'blue book' confirms that external national security challenges—such as territorial disputes, maritime security, and other sources of geopolitical tension—will also be in the NSC's portfolio.⁶⁸

The three largest Indo-Pacific poles of power now all operate NSCs that coordinate security, defence and foreign policy among different government agencies, and give their respective executive branches of government extensive oversight.⁶⁹ These increasingly centralised advisory and decision making bodies provide ideal institutional frameworks for creating hotlines between civilian and military leaders to help defuse military and diplomatic crises (e.g. an incident between the Chinese navy and the navy of a US ally or partner in the South China Sea) and manage mutual suspicion (e.g. the simmering concern in Indian political and policy circles about Chinese activity in the Indian Ocean).

Similar hotlines would arguably be beneficial if they existed between all nations engaged in territorial disputes in the Indo-Pacific, with the rationale being particularly strong in the cases of China and Japan, China and Vietnam, and China and the Philippines. Sadly, however, communication channels between peak security, defence and foreign policy bodies are unlikely to be established between China and its maritime neighbours (see Appendix B).

China should establish hotlines between its new National Security Council and its US and Indian counterparts.

Peace in a multipolar world

The affairs of Italy must be kept in balance.

— Lorenzo de' Medici, ruler of the Republic of Florence⁷⁰

After two calamitous world wars that witnessed industrial scale genocide and the nuclear annihilation of entire cities, the Cold War came as a reprieve. As John Lewis Gaddis argued in the dying days of the global contest between capitalist and communist worlds, the titanic ideological and military competition between the United States and the Soviet Union, which seemed to lend itself to a hot war, actually offered conditions ripe for relative peace.⁷¹

Gaddis concluded that the 'inescapably high stakes involved' in the bipolar Cold War rivalry induced a 'sense of caution and restraint,' which was further buttressed by nuclear deterrence.⁷² The demise of the Soviet Union in the late 1980s and early 1990s and the birth of the US unipolar moment gave peace a further boost. With the American leviathan left unopposed on the world stage, a 'new world order' built on liberal internationalist ideals—open markets and societies, a rules-based international order, and the protection of human rights—gained in reach and surety.⁷³

To be sure, the spectre of nuclear holocaust haunted the globe and hot wars raged in developing nations during the Cold War, while brutal ethnic cleansing and civil wars in Rwanda, Bosnia and Herzegovina, and the Democratic Republic of the Congo persisted in the era of unrivalled US global leadership.⁷⁴ Nevertheless, during the periods of US-Soviet bipolarity and US unipolarity, a 'long peace' prevailed between the globe's great powers.⁷⁵

With relative US decline and the end of *Pax Americana*, neither a bipolar international system divided between Beijing and Washington, nor a new *Pax Sinica* will emerge. Instead, we are moving 'forward to the past'—away from the bipolarity of the Cold War and the unipolar moment of US pre-eminence and back to a period of balance of power politics.⁷⁶ The combination of the resurgence of the great civilisational nations of China and India, the rapid rise of dynamic trading blocs like ASEAN, and the ongoing wealth and power of the United States and its allies means that the international system in the twenty-first century will be unmistakably multipolar.

The claim that the emerging multipolar balance of power in the Indo-Pacific in 2014 is akin to Europe's deadly alliance diplomacy in 1914 might be alarmist and anachronistic. But it does at least remind political leaders and policymakers of the inherent difficulties of producing lasting peace and security in a multipolar world. Indeed, unless the region's emerging balance of power is constantly tended to, the world might be once again subjected to the death, destruction and political chaos that it endured when European nations failed to keep each other in balance a century ago.

The Indo-Pacific's emerging balance of power must be constantly tended to.

Appendix A: Japan and Russia in 2050

Although Japan is indirectly included in the key Indo-Pacific poles of power as a major ally of the United States, it is not considered an independent pole of power. The reasons for this omission are twofold:

1. Despite remaining an influential Indo-Pacific power, Japan will be demographically, economically and militarily overshadowed by the key poles of power in 2050. Japan's population will shrink from 127 million in 2010 to 108 million in 2050.⁷⁷ Meanwhile, Japan's economy will experience cumulative growth of only 29% between 2010 and 2050, compared to the cumulative growth of more than 700% for India, 600% for China, 500% for ASEAN, and 100% for the United States during the same period.⁷⁸ Finally, Japan will struggle to raise its military spending as a percentage of GDP above 1% due to domestic and international sensitivities stemming from Japan's wartime history.⁷⁹
2. Given the depth and strength of the US-Japanese alliance, Japan is likely to buttress the US pole of power rather than become an independent pole of power.

Notwithstanding the recent resurgence in Russian influence over international affairs—most notably the annexation of Crimea in Ukraine and defence of the embattled Assad regime in Syria—Russia will not qualify as one of the key Indo-Pacific poles of power in 2050.

As well as being primarily a European nation (Russia's major demographic and industrial centres sit west of the Ural Mountains), Russian power will be dwarfed by that of the key Indo-Pacific poles of power in 2050. Russia's population will decline from 142 million in 2010 to 121 million in 2050; its economy will only be the world's 15th largest in 2050; and even if it maintains its post-Cold War level of military spending of roughly 4% of GDP, its defence budget will be only US\$75 billion in 2050, or less than 40% of ASEAN's total military spending.⁸⁰

Appendix B: Hotlines in East and Southeast Asia

Hotlines between NSC-style (National Security Council) peak security, defence and foreign policy bodies of all nations engaged in territorial disputes in the Indo-Pacific would be beneficial. The rationale for creating these communication channels is particularly strong for the nations involved in especially prickly territorial disputes, most notably China and Japan, China and Vietnam, and China and the Philippines. However, two considerations suggest that this is not the most effective means of facilitating mutual strategic understanding and averting crises in the Indo-Pacific.

First, tensions typically flare up between China and Japan, China and Vietnam, and China and the Philippines as a result of relatively low-level incidents involving activists landing on islands, fishermen straying into disputed waters, maritime patrol vessels clashing, or close encounters between military jets.⁸¹ Consequently, contact between peak security, defence and foreign policy bodies is not the first priority. Instead, the focus should be on strengthening the already existing, or at least already proposed, communication channels between the relevant authorities directly responsible for maritime and aviation security.⁸²

Second, even though it might be beneficial to establish hotlines between the Chinese NSC and its Japanese, Vietnamese and Filipino counterparts, China is unlikely to support the creation of these communication channels. Not only will Beijing see it as unnecessary to establish such high-level security, defence and foreign policy mechanisms with such comparatively weak nations, but China will also be reluctant to give up the benefits of strategic ambiguity.

Beijing advances its territorial claims in the East and South China seas by taking advantage of doubts in the minds of decision-makers in regional capitals about how far China will push its territorial claims and how it will respond to particular incidents. For example, Seoul's about-face and eventual decision to allow airlines to comply with the reporting requirements of China's provocative Air Defense Identification Zone (ADIZ) probably partially reflected uncertainty regarding the Chinese reaction to continued defiance of the ADIZ.⁸³ If Beijing can use strategic ambiguity to advance its *de facto* sovereignty over disputed territory in this way, it is hardly likely to welcome communication channels between the peak Chinese security, defence and foreign policy body and its Japanese, Vietnamese and Filipino counterparts.⁸⁴

Endnotes

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- 12 Thomas Hobbes, *Leviathan*, Richard Tuck (ed.) (Cambridge: Cambridge University Press, 1996), 96.
- 13 G. John Ikenberry, 'American Hegemony and East Asian Order,' *Australian Journal of International Affairs* 58:3 (September 2004), 353; Ministry of Foreign Affairs, 'Japan-U.S. Security Treaty,' www.mofa.go.jp/region/n-america/us/q&a/ref/1.html; Lillian Goldman Law Library, 'Mutual Defense Treaty Between the United States and the Republic of the Philippines; August 30, 1951,' avalon.law.yale.edu/20th_century/phil001.asp; Department of External Affairs, *Security Treaty between Australia, New Zealand and the United States of America* (Canberra: Commonwealth of Australia, 1952); US Department of State, 'U.S. Collective Defense Arrangements,' www.state.gov/s/l/treaty/collectivedefense; American Institute in Taiwan (AIT), 'Taiwan Relations Act,' www.ait.org.tw/en/taiwan-relations-act.html; Tim Huxley, 'Singapore and the US: Not Quite Allies,' *The Strategist* (30 July 2012).
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 - 35 Immanuel Kant, 'On the Common Saying: This May Be True in Theory, But it Does Not Hold in Practice, Parts 2 and 3,' in Pauline Kleingeld (ed.), David L. Colclasure (trans.), *Toward Perpetual Peace and Other Writings on Politics, Peace, and History* (New Haven: Yale University Press, 2006), 65.
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 - 40 Arrangements like White's Concert of Asia and Abe's democratic security diamond are likely to be resented by those influential states that are not represented and seen by the Indo-Pacific's greatest powers as premature concessions to emerging nations. See Hugh White, *The China Choice*, as above, 128–154; Shinzo Abe, 'Asia's democratic security diamond,' as above; Coral Bell, *The End of the Vasco da Gama Era*, as above, 56. Policymakers in Jakarta would find it puzzling that Indonesia is not included in White's Concert of Asia when Indonesia is on track to be one of the Indo-Pacific's demographic, economic and military heavy hitters, and is already the largest power in one of the region's most influential multilateral organisations (ASEAN). See Hugh White, *The China Choice*, as above, 128–154; 'RI 10th-largest economy: WB,' *The Jakarta Post* (5 May 2014); United Nations Department of Economic and Social Affairs, *World Population Prospects*, as above, 15–17; Karen Ward and Frederic Neumann, *Consumer in 2050*, as above, 29–30; 'The SIPRI Military Expenditure Database,' as above. Abe's democratic security diamond would be viewed by Beijing as an attempt to contain China's rise and would likely aggravate regional tensions. See Shinzo Abe, 'Asia's democratic security diamond,' as above; 'India uncertain as Abe looks for anti-China alliance,' *Global Times* (18 February 2014); Coral Bell, *The End of the Vasco da Gama Era*, as above, 56. Meanwhile, Washington would see the Concert of Asia—which calls on the United States, China, Japan and India to share power 'with one another as equals'—as unnecessarily deferential to India's resurgence and Chinese assertiveness. See Hugh White, *The China Choice*, as above, 141; Barack Obama, 'Full transcript of President Obama's commencement address at West Point,'

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