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Major Power Rivalry and Condominium of Power: The Future of US-China Strategic Relations*

Introduction

The interaction of the United States and China will have far reaching consequences for East Asia. While rivalry characterized much of the present US-China ties, opportunities for a condominium remain. China's rise and power shifts in Asia led renowned China expert David Shambaugh to outline the following seven possible future models for US-China strategic ties: 1) hegemonic system, 2) major power rivalry/power transition, 3) "hubs and spokes," 4) concert of powers, 5) condominium of power, 6) normative community, and 7) complex interdependence.¹

This paper aims to describe and to critique these seven models. It argues that the most likely model that can approximate US-China relations in the region is a mix of models 2 and 5. This paper takes into account recent developments to explain why a mix of models 2 and 5 can depict the world's most important bilateral relations in the future.

Hegemonic System

According to Shambaugh, a hegemonic system, where China is the dominant power, can either be coercive or benign. He maintains that countries, under such a setup, can either be subsumed by or bandwagon

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¹ Shambaugh, David. (Ed). (2005). *Power Shift: China and Asia's New Dynamics* Berkeley: University of California Press, pp. 12-19.





with China to protect themselves and their interests. The system can also manifest in a hierarchical model with China at the top, reviving the ancient tributary system. It assumes China's desire for dominance and diminution of US regional power and influence and America's eventual withdrawal from the region. Shambaugh, however, argues that China still does not constitute a pole that can magnet other countries around it. He maintains that China does not possess an appealing ideology, extensive economic assistance, extended deterrence and military protection, and international diplomatic support to constitute a hegemon.

Although he is pessimistic about China's potentials to be a hegemon, Shambaugh said elements of a potential Sino-centric hegemonic order continue to unfold. China rapidly demonstrates its desire and capacity to perform greater regional and global leadership roles. China's recent initiatives like the Belt and Road Initiative (BRI), Asian Infrastructure Investment Bank (AIIB), Shanghai Cooperation Organization (SCO), "new Asian security concept," "community of shared destiny for mankind," and support for multipolar undertakings like BRICS (Brazil, Russia, India, China, and South Africa) and the New Development Bank attest to this leadership aspiration.

Recent Chinese leadership had gradually distanced from Deng Xiaoping's "hide your strength, bide your time" mantra and have become bolder in taking the international limelight.² The momentum for this leadership drive is only bound to accelerate under the third term of President Xi, an ardent champion of China's desire for great power status. China officially eschews hegemony, but its economic wherewithal and increasing political influence no doubt cast a long shadow in the foreign policy calculus of many states. China, the world's second largest economy, is now the largest trading partner to 124 countries dominating Asia, Australia, Africa, and Eastern Europe, whereas the US is the leading trade partner for 56 countries mostly from Western Europe and the Western Hemisphere.

China is the world's largest holder of foreign reserves, top US creditor, and is also the world's largest manufacturer, merchandise exporter, assets acquirer, energy and commodities consumer, and outbound tourist market. It is also the world's second largest outbound investor and spender

² Clover, Charles. (2010). "Xi Jinping signals departure from low-profile policy." *Financial Times*. Retrieved from <https://www.ft.com/content/05cd86a6-b552-11e7-a398-73d59db9e399>; "Less biding and hidin." (2010). *The Economist*. Retrieved from <https://www.economist.com/node/17601475>.





on research and development and is actively seeking out technology either through acquisitions or homegrown innovation.

China continues to modernize its military, expand its power projection, and increasingly provide security goods abroad. It is the largest contributor of troops for UN peacekeeping missions among the five Permanent Security Council members and second largest financier of UN peacekeeping operations. China takes part in anti-piracy missions in the Indian Ocean, engaging neighbors in maritime and counterterrorism exercises, and is the world's third largest arms exporter. It has donated arms to neighbors, like the Philippines, engaged in combating homegrown terrorism with increasing international links (e.g. battle to recapture Marawi from radical militants). China's no-strings attached policy and non-intervention makes it the partner of choice for countries facing Western-imposed arms embargoes.

China now has the means to become an economic hegemon. It also has the potentials to become a security hegemon but may not tread this path, not necessarily because it cannot but because of its traditional contempt for alliances as being directed to third parties. In the post-Cold War era, where fault lines no longer rests on ideology and populism and propensity to downplay human rights and institutional checks even among longtime democracies are emerging, China's model is giving some leaders reason to pause and ponder. The success of China's governance model – a curious mix of capitalist economy and state planning under authoritarian leadership – is making some non-democratic states contemplate postponing meaningful political reforms or decelerating their momentum.

Furthermore, China provides diplomatic and political support to countries and leaderships facing Western-imposed sanctions or censure because of rights and governance issues. This includes pre-2019 military junta-led Thailand, the Philippines under the Duterte government for its violent war on drugs, former Malaysian Prime Minister Najib Razak for corruption, and the Myanmar junta facing criticisms over the plight of ethnic Rohingyas. Nevertheless, while China may aspire to assume greater regional/global roles, it is arguable whether it desires to dominate. That said, I argue that the ingredients are already there should it decide to do so, hopefully as a benign hegemon.

An increasing number of countries are now bandwagoning with China to obtain and sustain economic, as well as political and security benefits. Certain Chinese actions illustrate the manifest use of economic tools to serve political ends, notably to punish countries, which, in Beijing's view, harms its interests. This include restricting rare earth exports to Japan in 2010 after





a fishing incident in the East China Sea (ECS), curbing banana imports and canceling tourist visits to Philippines in the aftermath of the Panatag (Scarborough) Shoal standoff in 2012, and closure of Lotte department stores and canceling tourist visits to South Korea in 2017 after the THAAD (Terminal High Altitude Area Defense) deployment, among others.

The building of artificial islands in the South China Sea (SCS) and its subsequent militarization while an arbitration case was ongoing (2013-2016 Philippines vs. China case) also demonstrates that China's toolkit is not solely confined to economic statecraft. Thus, a reconfigured regional system with China occupying the paramount position may exhibit elements of coercion. This emerging propensity to deploy economic and military coercion in regional flashpoints is unsettling, heightens regional anxieties and disrupts longstanding regional norms.

For instance, the 2002 Declaration of Conduct of Parties in the SCS discouraged parties from occupying hitherto unoccupied features which China violated in 2013-2014 when it began building artificial islands and militarizing them. China's influence is driving a wedge between the Association of Southeast Asian Nations (ASEAN) member countries and making consensus on issues that relate to China difficult. It undermines the promotion of China's good neighborliness and peripheral diplomacy and creates discomfort to the notion of a Sino-centric system.

Major Power Rivalry/Power Transition

This model portrays an inevitable clash between the dominant power (the US) and a rising power (China). Steeped in realist school, this zero-sum competition argues that power transitions are inherently unstable and conflict-prone. A variation is a bipolar balance-of-power model wherein both US and China will have roughly equal power to offset each other and keep the balance. Shambaugh argued that for this model to happen, China's comprehensive national strength, particularly in the military domain, has to match that of the US, which he said is difficult to see in the near to medium term. He added that both powers also have to experience conflicting interests and policies over a wide range of regional and global issues, which he said, ran counter to the present cooperative relations.

China's comprehensive national strength continues to grow. Its economic rise since the reform and opening up was exponential, accounting for the most successful economic miracle and uplifting a record 800 million people





out of poverty in three decades. The largest trade partner to 124 countries, including to most Asian countries, its tremendous capacity to provide economic goods – market access, investments, infrastructure finance, aid, inbound tourism – translates to political and diplomatic influence in the developing South and increasingly in developed economies as well, such as South Korea, Australia, New Zealand, and Europe.

By one economic indicator, gross domestic product (GDP) purchasing power parity (PPP), China has already overtaken the US and forecasts have it that China will eventually surpass the US in actual GDP. Given this, it is not difficult to foresee a balance-of-power model along the lines of an economically strong China and a militarily strong US can take place.

In peacetime, “power grows out of the barrel of a gun” is sidestepped by “he who has the economic means wins” and China seems to be capitalizing on this. Beijing can and has weaponized economics for political ends³ (e.g. closure of Lotte department stores and canceling tourist visits to South Korea in 2017 after the US THAAD deployment) and military options seem unable to address this. That said, China is not letting up on military modernization.

China has the world’s second largest defense budget and the People’s Liberation Army (PLA) is the world’s largest standing military force with more than 2 million soldiers divided across five service branches, including a dedicated branch for missiles (Rocket Force) and space, cyber, and electronic warfare (Strategic Support Force). The country set a goal of having a world-class military by 2035.

In his address to the CPC Congress in October 2017, President Xi also said, “our military must regard combat readiness as the goal for all its work and focus on how to win when it is called upon.”⁴ China’s investments in asymmetrical warfare (e.g. anti-satellite and hypersonic missiles), notably anti-access area-denial (e.g. anti-ship missiles, anti-submarine warfare aircraft), can make it costly and difficult for America to interfere in China’s maritime periphery.⁵ The country also has a robust nuclear weapons

³ Chellaney, Brahma. (2017). “China’s Weaponization of Trade.” *Project Syndicate*. Retrieved on April 10, 2018 from <https://www.project-syndicate.org/commentary/china-weaponization-of-trade-by-brahma-chellaney-2017-07?barrier=accessreg>.

⁴ Clover, Charles. (2017). “Xi Jinping signals departure from low-profile policy,” *Financial Times*. Retrieved on April 10, 2018 from <https://www.ft.com/content/05cd86a6-b552-11e7-a398-73d59db9e399>.

⁵ Cordesman, Anthony H., and Kendall, Joseph. (2016). “How China Plans to Utilize Space for A2/AD in the Pacific.” *The National Interest*. Retrieved on April 10, 2018 from <http://nationalinterest.org/blog/the-buzz/how-china-plans-utilize-space-a2-ad-the-pacific-17383>.





program and multiple delivery platforms. The construction of artificial islands in the contested SCS also expanded China's power projection and extended its defense perimeter. China's investments in electronic, space, cyber, and other dual-use technologies also challenge US longstanding post-Cold War dominance in these domains.

In recent years, China is also increasing its overseas security footprint. It played an active role in anti-piracy missions in the Indian Ocean, sent peacekeepers in Africa, established its first overseas military base in Djibouti. PLA Navy ships were sighted in ports being built or financed by China across the strategic Indian Ocean. This undercuts the traditional unwritten regional dichotomy between US, providing security guarantees and hardware, and China, focusing on economic goods. China may not yet push the US out of the region, but its actions certainly diminishes America's significance. US President Trump's protectionism, preference for bilateralism and transactionalism do not help shore up American leadership appeal at a time when it is under serious strain. His isolationism and protectionism went in display in the US withdrawal from the Trans-Pacific Partnership (TPP) and imposition of tariffs not only to China, but also to allies and partners as well, like Canada, Japan, South Korea, and the European Union (EU).

The US-China relations have both competitive and cooperative dimensions. Human rights, trade disputes, China's expansive maritime claims and traditional support for North Korea are among the sources of friction, while cooperation for the environment, combatting transnational security threats such as piracy and financial crimes, counterterrorism, and denuclearization of the Korean peninsula are among the areas of convergence. Although relations seem relatively stable, perceptual or real changes in economic and military capacities and intentions cause tensions and, if not managed well, may led to rupture with serious global consequences. Tit-for-tat tariff impositions, for instance, inject a disruptive element in the relations, which hopefully can be put to rest through a negotiated settlement.

'Hub and Spokes' Model

This third model rests on the postwar security alliances established by the US with regional states, namely Japan, South Korea, Philippines, Thailand, and Australia. While not formal treaty allies, other East Asian states like Singapore also became active security partners in the system.





The system ushered benefits for the region. The US security guarantees enabled allies and partners to focus on domestic security and economic development. However, although the system undergirded regional peace and stability for more than three decades, it was unable to gather all states under its umbrella. Shambaugh argued that the structure of the system is insufficient to create an inclusive regional security order.

While China also benefited from this system, it also saw it as a tool to contain or constrain its rise. The US is the system's hub and China's eastern and maritime peripheral neighbors are the spokes. After the dissolution of the Soviet Union in 1991, China, rightly or wrongly, saw the maintenance of the system as being directed to her. The US forward deployed assets and troops, which can interoperate with regional allies and partners, were seen as a threat too close to China's doorstep. Hence, as China rises, its discomfort with this alliance system only grew. China began to spearhead the creation of alternative security arrangements, such as Shanghai Cooperation Organization (SCO). However, so far, these organizations primarily serve as adjunct to border security and quelling domestic separatism, especially in China's western Xinjiang, which borders Muslim Central Asia. It is unlikely for SCO to graduate into a full pledge alliance system⁶ anytime soon, especially with China as the lead, unless Russia will relent to it, which is unlikely.

China's recent assertiveness in SCS began to test the limits of the hub-and-spoke system's capacity to pushback. Meantime, the US fear of entrapment and the allies' fear of abandonment create cracks in the alliance. Some states saw Washington wavering and apparent adoption of double standards in keeping its treaty obligations. The US clarified that Japanese-administered Senkaku (which China claims as Diaoyu) fall within the coverage of the US-Japan Mutual Defense Treaty (MDT), while remaining vague as to whether Philippine-administered Kalayaan Islands (which China claims as part of the Nansha) in the West Philippine Sea are included within the ambit of US-PH MDT.

Furthermore, America responded strongly and promptly to protest China's declaration of an Air Defense Identification Zone (ADIZ)

⁶ Schafer, Robert. (2016). "Partnership Instead of Alliance: The Shanghai Cooperation Organization as a Mechanism for China's Growing Influence in Central Asia." *Small Wars Journal*. Retrieved on April 10, 2018 from <http://smallwarsjournal.com/jrnl/art/partnership-instead-of-alliance-the-shanghai-cooperation-organization-as-a-mechanism-for-ch>; Gallo, Ernesto. (2017). "SCO not NATO's foe." *East Asia Forum*. Retrieved on April 10, 2018 from <http://www.eastasiaforum.org/2017/09/24/sco-not-natos-foe>.





in ECS that cover the Senkaku by sending two B-52 bombers two days after China's ADIZ announcement. In contrast, the US has not conducted any freedom of navigation operations (FONOPs) in the SCS when China was busy building artificial islands in the disputed sea in 2014. There was one FONOPs in 2013 and frequency picked up in 2015, but they were too late to reverse changes on the ground. In the first instance, resolute US action was able to deter China's ADIZ enforcement. In contrast, inaction or delayed action in the second instance emboldened Chinese adventurism and allowed it to complete its construction.⁷ One test of the strength of the alliance lies in its ability to defend the weakest member and, in this test, the alliance seem to have failed. This incident had far reaching implications on the perceived value of the hub-and-spoke system, particularly among militarily disadvantaged allies and partners.

Challenge to the system also emanate from Washington itself, with President Trump threatening to upend alliances unless partners increase their defense spending, saying that some members have become freeloaders. Former President Obama's Rebalance to Asia could have beefed up the hub-and-spoke, but Trump's withdrawal from its economic pillar, the TPP,⁸ left the pivot with no effective counterweight to China's regional economic initiatives. Without an economic complement, the system will be insufficient to ward off or provide an alternative pole from China. Considering their burgeoning economic ties with China, Southeast Asian states may downplay military cooperation with the US at a time of increased Sino-US frictions lest they be seen by Beijing as siding with Washington or taking part in an anti-China coalition.

Concert of Powers

This model posits that the maintenance of stability is shared among major powers or alliances. An example given is the Concert of Europe,

⁷ McCoy, Robert E. (2018). "China Senses and Acts on US Weakness in South China Sea." *The National Interest*. Retrieved on April 10, 2018 from <http://nationalinterest.org/blog/the-buzz/china-senses-acts-us-weakness-south-china-sea-24702>.

⁸ Bader, Jeffrey A., and Dollar, David. (2015). "Why the TPP is the linchpin of the Asia rebalance." *Brookings*. Retrieved on April 10, 2018 from <https://www.brookings.edu/blog/order-from-chaos/2015/07/28/why-the-tpp-is-the-linchpin-of-the-asia-rebalance>.





which provided peace in Europe for half a century beginning with the 1815 Congress of Vienna. The system works when no major actor possessed disproportionate power and influence and when all major parties conduct regular consultations.

Shambaugh posited that for this system to emerge in Asia, a more equal distribution of hard power has to take place. This would require a substantial decline in US military power, which is unlikely, and a rise in the military capabilities of other powers, notably China, Japan, India, and Southeast Asia, which is not unlikely. He also said that this model would work when major powers enjoy harmonious and non-adversarial relations. Given its requisites, it is difficult to see the applicability of this model for Asia. The military gap between the US and the next emerging regional power, China, remains huge. Trump promised and obtained a big budget for the US military while underfunding diplomacy with budget cuts for the State Department and USAID. The military balance between China and Japan continue to widen and far wider when compared to India and Australia. The Indo-Pacific Quad can push back on China, but this again will only fan the Chinese notion that US and its partners are out to contain or encircle it.⁹

Individually, Quad members are also in a quandary. Domestic public opinion and Japan's neighbors pose challenges to Tokyo's bid to become a normal power. India remains largely absorbed governing the world's largest democracy. Australia's increasing exposure to Chinese commodities and agricultural markets constrains its room for maneuver without considering potential negative implications. Moreover, relations between major powers are also far from being completely harmonious. Wartime atrocities, historical rivalry, and maritime and territorial disputes continue to challenge China-Japan, as well as Japan-Korea relations. Territorial disputes, the Tibetan issue, India's concern about China's burgeoning ties with rival Pakistan, and growing Chinese presence in the Indian Ocean complicate China-India ties. The SCS flashpoint remains an irritant in Beijing's relations with its littoral Southeast Asian neighbors.

Despite the existence of cooperation platforms (e.g. BRICS for India and China, ASEAN-China FTA and Belt and Road Initiative for China and Southeast Asia, China's burgeoning trade ties with US, Japan, and

9 Shi Jiangtao, and Zhou, Laura. (2017). "Wary China on 'Quad' bloc watch after officials from US, Japan, India, and Australia meet on ASEAN sidelines." *South China Morning Post*. Retrieved on April 10, 2018 from <http://www.scmp.com/news/china/diplomacy-defence/article/2119719/wary-china-quad-bloc-watch-after-officials-us-japan>.





Australia), differences between major actors persist. Some of these are minor and can be possibly negotiated, but some are long running and fundamental and are more difficult to resolve.

Condominium of Power

This model rests on the condominium of the region's two major powers, the US and China. Shambaugh argued that tensions over Taiwan and strategic rivalry may make this model unlikely, though not impossible to happen. He provided some preconditions for this fifth model to transpire, namely: 1) Taiwan dispute have to be resolved; 2) China need to fully accommodate itself to the US alliance system, growing defense ties with India and growing military presence in Central Asia; and 3) mutual suspicions as strategic rivals and security threats has to be resolved. For the condominium to work, both sides have to be either allies or mutually trusting, which is problematic considering the swings in US-China ties.

Similarly, it would also require regional powers to accept and accommodate the US-China condominium, a scenario Shambaugh deems unlikely. He maintains that such a condominium will come at the expense of Japan's decline as a regional and global player, which he sees as unlikely. Overall, he is pessimistic about the prospects of such a condominium.

The conditions for this condominium to take off are indeed daunting, but some assumptions can be challenged. It is unnecessary, if not impossible, for the US and China to have complete convergence of interests. Both sides can agree to disagree and leave the resolution of certain issues for the future. Washington can continue to adhere to the one-China policy, while at the same time encouraging peaceful means of effecting reunification and keeping vague on actions it can undertake to resist use of force. Despite improvements in the relations, both sides may continue to harbor lingering mutual suspicions while sustaining confidence building. All these need not impede the emergence of a condominium. Similarly, Japan's power position can remain constant or even increase, without necessarily preventing a Sino-US condominium.

The condominium proceeds from the mutual realization that their shared interests are bigger than their differences and that such an arrangement is the best means to achieve their respective goals while at the same time avoiding conflict. China needs not be subsumed under the US-led alliance system and thus be America's junior partner as a condominium presumes mutual





recognition of parity or near parity. If conflict avoidance will serve as a key into Sino-US relations, then condominium offers a feasible way out. Burden sharing in the provision of economic and security goods for the region and the world can also be a major incentive for the two powers to cooperate. China's increasing capacity and willingness to deliver public goods to the international community is a welcome development toward this end.

Southeast Asian states aspire peace and stability. They are increasingly becoming adept in playing off one power against the other to exact maximum concessions without compromising their autonomy. A Sino-US condominium may eliminate or greatly reduce gains and risks attendant to this behavior, but it may also usher in a period of greater stability. Differences between the two powers are not existential, unless Washington sees that the maintenance of its regional or global primacy is so.

Zbigniew Brzezinski, of the Center for Strategic and International Studies, and Fred Bergsten, of the Peterson Institute for International Economics, are among the notable US scholars who advocate the formation of such US-China G2 condominium. They maintain that the world's two largest economies which are both members of the United Nation Security Council with one being a rising power and the other being a strong status quo power can team up to address global challenges and offer public goods.¹⁰ Coral Bell offered a variation called "shadow condominium" wherein a temporary US-China power sharing arrangement can be made to address acute crises that will impact on both powers' interests, such as the 2008-09 financial crisis, but will retreat in the shadows once the crisis pass, hence, the name.¹¹

However, a condominium is not bereft of its downsides, especially on America's relations with other regional powers and states. Southeast Asian states may feel apprehensive that such a condominium will require US to give China a freer hand in SCS at the expense of US commitment to treaty ally Philippines and emerging security partner Vietnam. Taiwan may feel helpless and be more open to overtures from the Mainland and possibly a reunification in Beijing's terms. Japan may feel betrayed and

¹⁰ Bush, Richard C. (2011). "The United States and China: A G-2." *Brookings*. Retrieved on April 8, 2018 from <https://www.brookings.edu/articles/the-united-states-and-china-a-g-2-in-the-making>.

¹¹ Taylor, Brendan. (2012). "A US-China 'shadow condominium.'" *The Strategist*. Australian Strategic Policy Institute. Retrieved on April 8, 2018 from <https://www.aspistrategist.org.au/a-us-china-shadow-condominium>.





either undertakes greater self-reliance for defense or be more receptive to reach some understanding with China, although possibly with Beijing having more leverage. Without reassurance, the US allies and partners may engender a sense of being left to their own devices in dealing with their increasingly powerful and assertive neighbor.

But such starkly adverse portrayal may not necessarily be inevitable. China understands that external threat perceptions is a major reason driving its neighbors to engage the US and other powers and this may put brakes on tendencies to push for a maximalist position in the resolution of disputes even with a condominium already in effect. It will not be in Beijing's best interests to offend US sensitivities attached to its longstanding treaty alliances. Washington's acceptance of a condominium is, in itself, already a victory for China and I sense that Beijing may be willing to give concessions to attain and keep it. Since 2013, Beijing expressed enthusiasm toward such a condominium when President Xi proposed for a new type of major power relations in his meeting with former President Obama in Sunnylands, California.¹² That invitation remains open and may be considered by President Trump given his domestic priorities, transactional leanings, and cutback on overseas entanglements at costs he deems as skewed against America.

Normative Community

This model rests on a set of norms of behavior – codified and institutionalized or loosely anchored on shared goals – observed and adhered to by a regional community, such as ASEAN.¹³ Such norms are based on consensus and imbibed through constant interaction between and among member countries. Venues such as the ASEAN Regional Forum and SCO facilitate interaction among regional states and represent nascent efforts to reach consensus on pressing security issues. However, Shambaugh maintains that these mechanisms are still in their early stages

¹² Li Cheng and Xu, Lucy. (2014). "Chinese Enthusiasm and American Cynicism Over the New Type of Great Power Relations," *Brookings*. Retrieved on April 9, 2018 from <https://www.brookings.edu/opinions/chinese-enthusiasm-and-american-cynicism-over-the-new-type-of-great-power-relations>.

¹³ Amitav, Acharya. (2014) *Constructing a Security Community in Southeast Asia: ASEAN and the Problem of Regional Order*, 3rd ed. Stanford: Stanford University Press.





and far from being institutionalized, although sustained momentum may lead towards their eventual institutionalization in the future.

The normative community apparently works best among small and middle powers when asymmetry is not a problem and suffer challenges when engaging major powers where asymmetry is glaring. Although there is relative peace and stability in SCS since the landmark 2016 arbitral ruling adverse against China's expansive maritime claims, a regional Code of Conduct (COC) remain elusive 15 years after the Declaration of Conduct was made. This is despite repeated expressions of interest by regional states in crafting one.

China's influence loom large in the ASEAN cohesiveness in relation to the SCS disputes, with division running along claimants and non-claimants, mainland and insular, and between states with higher exposure to Chinese aid, trade and investments, and those with more diversified economic portfolios. China's reluctance is a major factor behind stalled COC talks, although recent positive developments are changing this. With a firmer footing in SCS and improved relations with frontline state Philippines, which is playing the role of ASEAN-China country coordinator, Beijing now supports the early conclusion of a COC.

China may feel disadvantaged to be bounded by regional norms when other major powers are not, but Beijing must realize that the SCS disputes compels militarily weaker claimants to enlist external support. If China sees the entry of non-resident powers as further complicating the multiparty flashpoint, then it should see the value of earnestly working with ASEAN to better manage the disputes and a COC will be a big contribution towards that end. The recent adoption of a COC Framework is a promising development, but still a long way to go in developing "rules of the road" for SCS. Much is expected from Beijing.

Complex Interdependence

The last model holds that economic and technological – not security – issues will dominate the future of Asia and non-state actors and processes that operate at the societal level will be the key players. However, despite the advance of globalization and increased economic interdependence between and among Asian states, Shambaugh maintains that this system will still not define Asia's future since it downplays the role of nation-states,





which are unlikely to be rendered obsolete in the foreseeable future. It also lacks a security component, which makes it untenable. Shambaugh believes that a truly regional model should have both economic and security components.

Although there is no doubt that globalization had tear down national barriers to facilitate the flow of people, goods, capital and knowledge, economics and technology alone are insufficient to foster a regional order. Security issues are unlikely to just recede in the background and nation-states will not simply surrender their power and sovereignty to the invisible hand of the transnational market and technology. In contrast, states continue to rein in the market, which may create distortions, but may also stem market failures or negative externalities. At the same time, states, with or without the private sector, also harness technology to serve its ends.

China's economy, for one, continues to be dominated by the state through industrial planning and state-owned enterprises mixed with increasing openings for market forces to come in. The country's commanding heights or strategic sectors remain under the hands of the state, a phenomenon also seen among other East Asian states. The Chinese government is also investing in information, cyber, and space technologies for both economic and security purposes. Thus, nation-states can, and still do, shape economic and technological forces. Regional and global production chains may be integrating the world, but they are not immune and are, in fact, disrupted by state actions, such as during periods of inter-state tensions or conflict. Economic interdependence will neither erode the institution of the state anytime soon nor address security problems.

Rivalry and Condominium: Two Faces of the Relations

Competition and cooperation constitute enduring themes in US-China relations and they are likely to remain as the defining feature of the world's most important bilateral relations. Major power rivalry and condominium represent these two themes. A binary balance-of-power complemented by a condominium will allow both powers to pursue their respective and shared interests, while at the same time avoiding a potentially catastrophic conflict. Rivalry, pushback, negotiation, accommodation, and cooperation will be the continuum from which US-China relations oscillate and will continue to do so. The other models contain elements that can account for some aspects of the relations, but they remain insufficient.





China's unrelenting drive for great power status buoyed by strong economic credentials and increasing military might and led by a unitary political party uninterrupted since 1949 may foster the creation of a hegemonic order. A strong China may invite deference from other countries, especially China's immediate smaller neighbors.

But this overly assumes passiveness of other actors, notably US. America will not sit idly watching the development of China's comprehensive national strength without preparing countermeasures to forestall the establishment of a Sino-centric hegemony which may push it out of the region and institute an order adversely affecting US regional interests. Washington, for one, warns regional allies against unsustainable debt and security risks posed by Chinese technologies, such as Huawei's digital networks. Southeast Asia too is unlikely to concede ending economic and security engagement with other powers in SCS lest it be seen as diminution of their sovereignty.

There is no doubt that a weakened American position, more so a possible retrenchment, will embolden China to further consolidate its hold in the region but this scenario is unlikely. A Sino-centric order is not as easy as it sounds, not to mention the regional anxieties it will generate. Despite cracks in the hub-and-spoke system, it remains relevant and integral in the strategy of allies and partners to push back against China's expansive claims and aggressive actions, especially in SCS where China enjoys disproportionate asymmetry over its Southeast Asian disputants. That said, demonstration of greater U.S. commitment is critical in shoring up the alliance's deterrence value.

Washington's pronouncements in support of a free and open Indo-Pacific is welcomed by regional states, but details of the strategy remain to be articulated and relations with Indo-Pacific partners are not without challenges. This includes growing US protectionism and unilateralism, withdrawal from TPP, threats to renegotiate US-Japan FTA, and adverse fallout of Trump-Turnbull phone call in US-Australia ties, among others. Quad can constitute a concert of powers but that concert excludes China and will be seen by China as targeting her, thus, exacerbating regional tensions. Meanwhile, Beijing may see a normative community as tying its hands, while other powers remain unrestricted and this could possibly explain its trepidation towards agreeing to a binding COC.

Finally, nation-states remain key actors in the regional and global stage and these actors, including US and China, are increasingly making use of economic and technological tools to compete and cooperate with one





another. In addition, security issues, including between the two powers, are also unlikely to fade away.

Conclusion

A bipolar balance-of-power model with a militarily strong, though economically declining (especially post-2008 financial crisis) US, and an economically and increasingly militarily strong China eventually offsetting each other is not out of sight. China emerged as Asia's leading trade partner and began making inroads in security cooperation with regional states as well. China conducted joint air force (2015) and naval/maritime exercises (2016) with Thailand and similarly engaged Malaysia (2014-16) and Indonesia (2011-14), not to mention selling littoral combat mission ships to Malaysia in 2016 and co-producing military vehicles, equipment (in 2008), and missiles with Indonesia in 2011.

Combined with its increasing use of economic carrots to advance political or diplomatic ends, Beijing's regional power continues to gain ground. America's capacity to compete with China, especially on the economic front, is important in remaining relevant in the fast-changing bustling region. China's deep pockets, higher appetite for risk, flexible terms and surplus capacity enable it to promote a connectivity project that appeals to regional demands for hard and soft infrastructure.

These efforts allow China to steadfastly close its power gap with the US in what it sees as a "period of strategic opportunity." This raises the stakes for Sino-US major power showdown but also induces the necessity of developing mechanisms to manage such competition cognizant of the enormous consequences if unbridled rivalry will be allowed to run loose. Conflict avoidance and burden sharing underscore the significance of pushing for a condominium. Risks and uncertainties consequent to major power rivalry or power transition can be mitigated by such a condominium.

