

## Introduction

The strategic rivalry between the United States and China has intensified since the COVID-19 pandemic, which has accelerated the potential international order transition, as noted by Kissinger (2020) and Haass (2020). The constant downward spiral of US–China relations might eventually push the two countries into a corner – a new Cold War or even the “Thucydides trap” – a military conflict between the hegemon and a rising power (Allison, 2017; Feng & He, 2020; Kynge, Manson, & Politi, 2020). Some scholars suggest that a new Cold War is on the doorstep if the United States decouples from China (e.g., Rachman, 2020), while others argue that strategic competition without ideological antagonism will not lead to a new Cold War (e.g., Christensen, 2021).

It is still unclear whether a new Cold War between the United States and China is coming. However, China has been seen as “America’s most consequential geopolitical challenge” in the latest Biden-Harris administration’s National Security Strategy despite the ongoing Ukraine War in Europe. It is simply because China is “the only competitor with both the intent to reshape the international order and, increasingly, the economic, diplomatic, military, and technological power to do it” (White House, 2022a). The first face-to-face meeting between Biden and Xi since Biden became president during the G20 summit in November 2022 seemed to offer some hope of repairing the damaged bilateral relations between the two great powers. However, since the “balloon incident” in February 2023, the strategic competition between the United States and China has escalated.

In March 2023, President Xi publicly accused the United States of attempting to contain, encircle, and suppress China (Bradsher, 2023). Additionally, the meeting between Taiwan’s President Tsai and US Speaker of the House Kevin McCarthy in Los Angeles in April 2023 has further strained the already contentious bilateral relationship. As of June 2023, when this Element was written, it was reported that China persisted in rejecting the Pentagon’s request for a defense minister meeting at the Shangri-La Dialogue in Singapore. As Biden clearly states, the United States will “compete vigorously with the PRC” but “the competition should not veer into conflict” (White House, 2022b). It is clear that the two states will engage in intense competition with one another through multiple means, including international institutions, in the foreseeable future.

Differing from Trump’s unilateralist approach, the Biden administration has been working on building a “grand alliance” against China since 2021 (Lee, 2021; Macias, 2021). Although both the feasibility and effectiveness of such an anti-China alliance are questionable during the order transition, other states in the region, such as Australia, Japan, and the ASEAN states, are facing strategic pressures from the United States as well as from China. In other words, sooner

or later the structural imperative during the potential order transition will force them to make a policy choice between the two giants.<sup>1</sup> Since 2008, we have witnessed various policy choices by secondary powers beyond hedging in the region. For example, Australia seems to have chosen a balancing strategy by strengthening its “mateship” with the United States against China’s challenge to the rules-based order. Even among the Five-Eye countries, New Zealand’s policy toward China seems to have departed from others, especially on whether to upgrade this intelligence-sharing organization to an anti-China diplomatic grouping (Dziedzic, 2021). At the same time, we also notice that Singapore’s Prime Minister Lee Hsien Loong has reiterated that it is not in the interest of Singapore and other Asian countries to pick sides between the United States and China (Lee Hsien Loong, 2020). Why and how do states choose different foreign policies during the international order transition? These are important, but somehow less studied, questions in the field of foreign policy analysis. Secondary powers’ policy choices will not only influence the power dynamics between the United States and China but also shape the regional security architecture and potential order transition in the international system.

It is worth noting that in IR (international relations) theory, different schools of thought have different conceptualizations of the international order (He & Feng, 2020). In a realist world, as Joseph Nye Jr. points out, the so-called international order equals the international system, which is defined by material power capabilities among states (Nye, 2003, p. 254). John Mearsheimer suggests that international order is “an organized group of international institutions that help govern interactions among member states . . . great powers create and manage orders” (Mearsheimer, 2019, p. 9). Similarly, Charles Glaser points out that “an international order should be understood as a means, not an end. A state or states create an order to achieve certain ends. Similarly, a state can choose to join an order – abide by its rules and norms and participate in its institutions – in pursuit of its interests (i.e., ends)” (Glaser, 2019, p. 57). Although international institutions and rules are highlighted, they are normally treated as diplomatic tools for states to pursue their power-based interests. Therefore, institutions are epiphenomenal in world politics and what really matters is power, according to Mearsheimer (1994/1995).

Liberalism, constructivism, and the English School challenge this power-based realist understanding of international order although they hold diverse views on the role of institutions, rules, and norms in an international order. For liberals, an international order is manifested by the functions of rules and

<sup>1</sup> There is a third policy choice, which is to stay away from the US–China competition. We treat this policy as “buck-passing” and will discuss it in Section 5.

institutions. For example, G. John Ikenberry suggests that “International order refers to the organizing rules and institutions of world politics. It is the governing arrangements that define and guide the relations among states” (Ikenberry, 2017, p. 59). Here, Ikenberry highlights the functional role of rules and institutions, which facilitates the creation of a “functioning political system” among states. Differing from realists like Mearsheimer who suggest institutions, rules, and even the order itself are just instruments or means for states to maximize interests, liberals argue that these rules and institutions embedded in the order have an independent function in governing interstate relationships. It is why Ikenberry famously contends that US hegemony might decline, but the liberal international order (LIO) will sustain. More importantly, China’s rise does not mean the end of the LIO (Ikenberry, 2008, 2018).

For constructivists and the English School scholars, norms, ideas, and values are constitutive parts of an international order. As Jeffrey Legro points out, “international order is made by national ideas, so is it unmade” (Legro, 2005, p. 1). Muthiah Alagappa defines international order as “a formal or informal arrangement that sustains rule-governed interaction among sovereign states in their pursuit of individual and collective goals” (Alagappa, 2003, p. 39). Hedley Bull conceptualized international order as “a pattern of activity that sustains the elementary or primary goals of the society of states, or international society” (Bull, 1977, p. 8). In defining international order, we can see how constructivism and the English School emphasize the constitutive role of ideas, values, and goals in making an international order. The functional perspective of liberalism on institutions and order is rooted in the consequential logic of rationalism; constructivism and the English School, to a different extent, follow the logic of appropriateness with a strong normative element in their conceptualization of international order.

Similarly, scholars hold different views on the potential order transition and the future of US hegemony. Some suggest that the liberal international order will survive despite crises and challenges (Lake, Martin, & Risse, 2021), while others argue that the order transition is taking place because the liberal international order is doomed (Glaser, 2019; Mearsheimer, 2019). Here, we take a middle-ground position to define both international order and international order transition. International order is conceptualized as “a normative and institutional arrangement among sovereign states that governs their interactions in the power-based international system.” This definition of international order integrates the three pillars of international order: norms, institutions, and power from constructivism (including the English School), liberalism, and realism respectively (He & Feng, 2020, p. 12, 2023). In addition, we define “international order transition” as “a changing process of the normative, institutional, and power foundations of the current international order.” We suggest that China’s rise has triggered a process

of international order transition in the Asia Pacific, not in the world, because it has not challenged all three pillars of the current international order. The final outcome of the current international order, that is, the US-led liberal international order, is still uncertain (He & Feng, 2023).<sup>2</sup>

This project examines different foreign policy choices adopted by regional powers in the context of US–China strategic competition against the background of the potential international order transition. It introduces a “preference-for-change” model – a neoclassical realist argument – to explain how different perceptions of political leaders regarding the system-level order transition shape their policy choices toward the United States and China. It suggests that policymakers will perceive potential change of the international order through a cost–benefit prism.<sup>3</sup> The interplay between the perceived costs and the perceived benefits from the international order transition shall shape states’ policy choices among four strategic options: (1) hedging to bet on uncertainties regarding change; (2) bandwagoning with rising powers to support change; (3) balancing against rising powers to resist change; and (4) buck-passing to ignore change.

There are four sections in the project. First, we discuss the existent literature on states’ policy choices during international order transition. We argue that most research focuses on the two giants but pays limited attention to the diverse behavior of other players during an order transition. Second, we introduce our neoclassical realist model – a “preference-for-change” argument – to illustrate how policymakers’ perceptions of order transition shape different policy choices of states toward the United States and China. Third, we conduct four short case studies to test our model by examining the foreign policy orientations of Australia, Singapore, Thailand, and New Zealand during the ongoing order transition featuring the US–China strategic competition. In conclusion, we argue that although the international order transition is inevitable, the United States and China can make a difference on how the change will take place. A peaceful change in the international order is not impossible, but it will need to be largely determined by wise policy choices from both the United States and China.

<sup>2</sup> For other examples of different views on the liberal international order, see Ikenberry (2018); Paul (2021).

<sup>3</sup> Although our model highlights leaders’ cost–benefit perceptions in shaping a state’s policy choice, it does not deny the importance of other domestic and ideational variables in complex decision-making processes. Nor does it deny possible domestic contestations of different leaders’ perceptions regarding the international order transition. However, our model adopts a rational choice approach, following epistemological parsimony. For parsimony versus accuracy, see Almond & Genco (1977).

## 1 International Order Transition and State Policy Choice

Explaining change is an enduring but tough task in world politics (Gilpin, 1981; Paul, 2017, 2018; He & Chan, 2018). International order transition is one of the major changes in world politics. How states behave during the dynamic period of order transition will, to a certain extent, shape the nature and outcome of the order transition, that is, whether it will be violent or peaceful. Existing research has three limitations in the study of state policy choices during the order transition: the great power bias toward balancing, the lack of dynamics for hedging, and the eroding role of institutions for secondary powers.

Realism, especially power transition theory, has paid close attention to international order transition and equated the change of power distribution in the international system to international order transition (Organski, 1958; Organski & Kugler, 1980; Nye, 2003; Chan et al., 2021). Therefore, their focus is mainly on great powers, especially the declining hegemon and rising powers. For example, Graham Allison has warned about the danger of Thucydides's Trap, in which there will be a direct military clash between the United States and China during international order transition (Allison, 2017). For realism, hard balancing, including military build-up (internal balancing) and alliance formation (external balancing), is the main policy choice for both rising great powers and the declining hegemon (Waltz, 1979; Mearsheimer, 2001). Although recent IR scholarship stretches the concept of balancing to include nonmilitary "soft balancing" behaviors, the essence of "soft balancing" is to prepare for "hard balancing" in the future (Pape, 2005; Paul, 2005; He & Feng, 2008).

Under the Obama administration, the United States launched its "pivot" or "rebalance" toward Asia by strengthening its military cooperation with traditional allies and security partners, especially after the 2008 global financial crisis. Trump's trade war against China starting in 2018 and the Free and Open Indo-Pacific Strategy (FOIP) by the US government were a manifestation of the intense strategic competition between the two nations. After Biden assumed power, the US security policy toward the region largely followed Trump's FOIP footsteps, although Biden highlighted the importance of alliances and multilateralism in dealing with China's challenges. For Chinese leaders, Obama's "pivot toward Asia," Trump's "trade war," and Biden's multilateral approach all represent a clear sign of balancing, including both hard balancing and soft balancing with a containment purpose against China (Lieberthal & Wang, 2012; Liu, 2023). Apparently, balancing, especially hard balancing with military means, is the major game between the United States and China during the order transition. However, the problem for realism in general and power transition theory in particular is that they fail to explain the diverse behavior of other states during the order transition.

As mentioned in the Introduction, while Australia seemed to choose a balancing policy by strengthening its “mateship” with the United States against China’s challenge to the rules-based order, other traditional allies of the United States, such as South Korea, Japan, Thailand, and the Philippines, have tried to walk a thin line between the United States and China through an accommodation and even bandwagoning strategy (Kang, 2003; Ross, 2006). In addition, other non-US allies, such as Cambodia and Laos, have strengthened their bilateral relationships with China against the United States. It is clear that neither balancing nor bandwagoning can capture the variations of states’ policy choices in the context of US–China competition during the period of order transition.

To address this “great power bias,” some scholars advocate a hedging argument in explaining the ambiguous behaviors of secondary states amidst the strategic rivalry between the United States and China. Hedging is a term from the finance and business world. It refers to a form of investment insurance aiming to reduce investment risk. Typically, hedging involves investing in two securities with a negative correlation. It means that if one security loses value, the other gains value. In the IR and security studies literatures, hedging refers to a policy involving both cooperative and competitive elements (Art, 2004). Some scholars further define hedging as a middle-position policy between balancing and bandwagoning in an academic sense or between cooperation and containment in policy terminology (Medeiros, 2005; Foot, 2006; Goh, 2006; Kang, 2007; Kuik, 2008).<sup>4</sup>

For example, Cheng-Chwee Kuik defines hedging as one of alignment behaviors by states with “ambiguous, mixed and ‘opposite’ positioning” in policy orientation (Kuik, 2016, p. 502; also Kuik, 2008). Empirically, he suggests that:

over the past two decades – amidst the power reconfigurations in the Asia–Pacific following the end of the Cold War circa 1990 and the onset of the global economic crisis in 2008 – the small and medium-sized Southeast Asian states have all pursued a mixed and opposite strategy [hedging] towards the re-emerging China (Kuik, 2016, p. 503).

Ikenberry groups secondary powers as “middle states” between the United States and China, arguing that “short of these grand alternatives, middle states appear to be pursuing more mixed strategies of engagement and hedging” (Ikenberry, 2016, p. 28). Here, while engagement means to develop economic

<sup>4</sup> For other definitions and applications of hedging, see Park (2011); Tessman & Wolfe (2011); Tessman (2012); Jackson (2014); Ciorciari (2019); Ciorciari & Haacke (2019); Foot & Goh (2019); Haacke (2019); Liff (2019); Lim & Mukherjee (2019); Korolev (2019); Jones & Jenne (2021).

relations with China, hedging in Ikenberry's terms refers to a strategy of these states to "deepen security ties to the United States" (Ikenberry, 2016, p. 29).

Despite the nuanced differences in conceptualizing "hedging," most scholars agree that hedging is a prevailing policy choice located between hard balancing and bandwagoning.<sup>5</sup> Hedging indeed captures the mixed nature of policy choices for states, especially secondary powers, between cooperation and confrontation when the international order is relatively stable under unipolarity. The structural stability in the post-Cold War unipolar world has reduced the strategic antagonism in the system and created a rare condition in which secondary states can enjoy the freedom of action to engage and cooperate with both the United States and China (Wohlforth, 1999; Ayson, 2012). To a certain extent, not only did secondary states choose to hedge, but the United States and China have also conducted "mutual hedging" against each other with both cooperative and confrontational elements in their policy choices in the post-Cold War era (Medeiros, 2005).

However, the hedging scholarship faces an analytical problem – a lack of dynamics – during the period of international order transition. The international order is changing, and so is a state's hedging strategy. The changing international order and the intensifying power competition between great powers have made it difficult, if not impossible, for secondary powers to keep their hedging strategies. It has become a political cliché for leaders of secondary states to publicly claim that it is not in their countries' interests to pick sides between the United States and China. From the perspective of secondary states, hedging is certainly a preferred strategy because it can maximize both security and economic interests. Therefore, some states, like Singapore, might still decide to actively engage in a hedging strategy between the United States and China despite the systemic pressures from the two giants. However, the increasing strategic competition between the United States and China will somehow force these secondary states to make a strategic choice, sooner or later, between the United States and China although *when* these states will give up the hedging option is still a debatable question. Different countries might have various "tipping points" in their decision-making processes, but a general trend is that secondary states will have to make a decision beyond hedging at a certain point during the period of order transition.<sup>6</sup>

For example, Australia has formed a new security deal – AUKUS – with the United States and the United Kingdom in September 2021. It is widely seen as

<sup>5</sup> Some classical realists, however, suggest that hedging is not an intentional strategy by second-tier states. Instead, it is "a counsel of prudence in the conduct of statecraft that fits strategic ends to limited means." See Jones & Jenne (2021, p. 3).

<sup>6</sup> The authors thank Rosemary Foot for raising this "tipping point" issue in discussing when states might change a hedging strategy during the order transition.