

China-U.S. Institutional Balancing in the Asia-Pacific and Its Implications to China's Foreign Policy Choices

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Abstract

In the context of China's rapid rise and the U.S.'s hegemonic maintenance, one key challenge of China's diplomacy is how China deals with its bilateral relations with the U.S. and thus avoids the "Thucydides' Trap". Compared with power transition theory, balance of power theory, international institutions theory and social constructivist theory, the China-U.S. institutional balancing theory can better explain the institutionalization of security and analyze the interactions between China and the U.S. in the Asia-Pacific after the Cold War. The China-U.S. institutional balancing suggests that the deepening economic interdependence creates a condition under which China or the U.S. is more likely to conduct a new realist balancing strategy to counter each other and pursue security through international institutions. Under the background of the deepening economic interdependence and the polar distribution of power between China and the U.S., both China and the U.S. conduct institutional balancing in the Asia-Pacific. In the crucial period of China's peaceful rise, China must avoid repeating past mistakes of the Anglo-German antagonism (1860-1914) and the Soviet Union-U.S. antagonism (1945-1991), and must be cautious to avoid confrontation and conflict with the U.S. The implications of the China-U.S. institutional balancing are as follows: China should continue to carry out institutional balancing to the U.S.; both China and the U.S. should encourage each other to participate in international institutions in the Asia-Pacific region; both China and the U.S. should deepen mutual economic interdependence.

Keywords: China-U.S. institutional balancing, Asia-Pacific, economic interdependence, international institutions

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The relationship between China and the United States (U.S.) is the most important bilateral relationship in the Asia-Pacific region. It is also the most complex one. There are two important structural factors determining the future of China-U.S. relationship: firstly, based on post-Cold War international structure and American political elites' recognition of American national

interest, the U.S. will continue to seek enhancement of its dominant position; secondly, based on the general trend of China's development, the comprehensive national power of China will be further strengthened (Wu 2006, 174). In the context of China's rapid rise and the U.S.'s hegemonic maintenance, one key challenge to China's diplomacy is how China deals with its bilateral relations with the U.S. and thus avoids the "Thucydides Trap." Graham Allison has popularized the phrase "Thucydides Trap" to describe the dangerous dynamic that occurs when a rising power threatens to displace a ruling power (Allison 2017). To reasonably explain the interaction between China and the U.S. in the Asia-Pacific region and explore the possibility of peaceful co-existence and mutual beneficial cooperation between the two countries, the author will provide a new perspective on China-U.S. institutional balancing.

This article includes four parts: firstly, based on a review of existing academic research results on the interactions between China and the U.S. in the Asia-Pacific after the Cold War, the article proposes "China-U.S. institutional balancing" to explain the institutionalization of balancing between China and the U.S. Secondly, it analyzes two independent variables - the Asia-Pacific distribution of power and China-U.S. economic interdependence - to test the hypothesis of China-U.S. institutional balancing in the Asia-Pacific. Thirdly, by examining the dynamics of China and the U.S.'s policy towards the ASEAN Regional Forum (ARF), ASEAN Plus Three (APT), and East Asia Summit (EAS), the article analyzes how China and the U.S. conduct institutional balancing strategies with each other. Lastly, the article puts forward the implications for China's foreign policy toward the U.S. in the Asia-Pacific.

1. The Existing Research Results and a New Institutional Theory

From the theoretical paradigms of the existing research results, there are four main theoretical paradigms in the study of interactions between China and the U.S. in the Asia-Pacific: power transition theory, balance of power theory, international institutional theory, and social constructivism theory.

1.1 Power Transition Theory: Are the U.S. and China in a Power Transition?

The power transition theory was originally created by A. F. K. Organski, a realist scholar of international relations, in his 1958 book, *World Politics*. This book focuses on the study of conflicts between dominant hegemons and rising challengers in the global system (Organski, 1958). In recent decades, power transition theory was constantly applied to empirical analysis of China and its challenge to the hegemonic status of the U.S. The scholars of pioneering work of this theory includes: David Shambaugh (Shambaugh 2005), Zhiqun Zhu (Zhu 2006), Steve Chan (Chan 2008), Jin Kai (Jin 2017), Christopher Layne (Layne 2018, 89-111). These scholars

believe that power transition has happened in the Asia-Pacific and even beyond. The central idea is that China will replace the U.S. and become the dominant power or hegemon in the international system. At the same time, they contend power transition will not necessarily lead to greater likelihood of military conflicts or war between China and the U.S. The power gap between China and the U.S. decreases, but there are sufficient data and facts to indicate that no power transition exists between them. In the near future, China will likely continue to rise while the status quo between China and the U.S. will remain stable. The dominant status of the U.S. will not change because China's national capability is not sufficient to replace that of the U.S.

1.2 Balance of Power Theory: Getting Asia Wrong?

Balance of power is the typical behavior of states. For realists, balance of power is seen as being akin to a law of nature (Waltz 1979, 117). Peace or stability, to a large degree, is determined by the equilibrium of the distribution of power in the system. International relations scholars such as Sheldon Simon, Tim Huxley, and Aaron Friedberg all have implied this realism proposition when they discuss the China-U.S. relationship (Mearsheimer 1994/1995, 5-49). However, balance of power theory has a difficult time in explaining the institutionalization of security in the region after the Cold War, and the relatively stable post-Cold War era in Asia refutes the explanation of balance of power theory. According to balance of power theory, China should ally with Japan, South Korea, and Southeast Asia states so as to balance against the U.S., the sole superpower in the system. As Waltz writes, "secondary states, if they are free to choose, flock to the weaker side; for it is the stronger side that threatens them." (Waltz 1979, 127) However, China had neither the intention nor the ability to forge an alliance against the U.S. A more interesting development is that the great powers in the region, such as the U.S., China, and Japan, choose to participate in those ASEAN-led multilateral institutions, such as ARF and EAS.

1.3 International Institutional Theory: Can Interdependence Work?

After the Cold War, a large number of regional international institutions arose in the Asia-Pacific. Examples include the ASEAN Regional Forum (ARF), the ASEAN Plus China, Japan, and ROK (APT), the East Asia Summit (EAS), and the Asia-Pacific Economic Cooperation (APEC). These institutions make international institutional theory more vibrant. Scholars like Vinod K. Aggarwal (Aggarwal 1993, 1029-1042), Andrew Mack (Mack & Ravenhill 1994), John Ravenhill (Mack & Ravenhill 1994), G. John Ikenberry (Ikenberry 2001), and Qin Yaqing (Qin 2012) all believe that multilateral institutions have the potential to make Asia-Pacific international

relations more institutionalized. These scholars think that it is feasible for multilateral institutions to be an alternative to the balance of power in politics. Indeed, the collective decision-making in international institutions strengthens the legitimacy of the international system, restrains the ambition of rising nations, regulates the behavior of dominant nations, facilitates rising nations' recognition of threats, and provides public goods for rising nations. It is true that institutions can facilitate inter-state cooperation, but international institutional theory fails to answer a critical question: when and under what conditions can institutions change states' behavior from pursuing relative gains to absolute gains? Facing the Asian economic crisis of 1997, the three major regional multilateral institutions, ASEAN, ARF, and Asia-Pacific Economic Cooperation (APEC), failed to function and coordinate any effective regional actions to cope with the crisis. Instead, the ASEAN states blamed on another and long-time harmonious intra-regional relations were seriously damaged (He 2009, 6). Critics claimed that international institutions are fundamentally insignificant since states wield the only real power in world politics (Keohane 1998, 87). It seems that only by integrating institutions with power can we come up with a convincing explanation of interactions between China and the U.S. in the Asia-Pacific.

1.4 Social Constructivism Theory: Identity Still in the Making?

Social constructivism as an international relations theory focuses on the role of ideas, norms, knowledge, and identity in constituting state behaviors. To social constructivists, ideational rather than material factors tie the world together (Ruggie, 1998, 855-885). Social constructivism theory to some extent explains the cooperation in the Asia-Pacific after the Cold War. The Asia-Pacific is committed to construct "Lockean culture," where individuality is respected and cooperation is appreciated. During cultural interactions within the Asia-Pacific system, national identities and national interests of Asian countries are reconstructed and inclining to "Asia-Pacific." Also, this interaction accelerates the construction of the Asia-Pacific security community. However, there are two obvious weaknesses of constructivism in explaining Asia-Pacific security. One is that constructivism is not a substantive theory of politics. Consequently it does not, by itself, produce specific predictions about political outcomes that one could test in social science research (Finnemore and Sikkink 2001, 393). Secondly, the effectiveness of the ASEAN collective identity is doubtful. For example, in the 1997 global economic crisis, the ASEAN did not give any early warning before the crisis. Even after the crisis had happened, the ASEAN failed to take any effective action to control the spread of the crisis. Also, the lack of a collective reaction to crisis denotes that the ASEAN model is not truly unified and ultimately no more than a myth.

In short, power transition theory cannot accurately explain the current power distribution between China and the U.S. in the Asia-Pacific; balance of power theory encounters difficulty in explaining the institutionalization of security in the region after the Cold War; international

institutional theory fails to answer the question of “why the three major regional multilateral institutions failed to function and coordinate any effective regional actions to cope with the Asian economic crisis of 1997”; social constructivism theory is not a substantive theory of politics in explaining multilateral cooperation in the Asia-Pacific.

In light of the deficiency of the above-mentioned four theories, the author puts forward the “China-U.S. institutional balancing theory” to analyze the interactions between China and the U.S. in the Asia-Pacific and China's strategic choices toward the U.S. China-U.S. institutional balancing suggests that the deepening economic interdependence creates a condition under which China or the U.S. is more likely to conduct a new realist balancing strategy to counter each other and pursue security through international institutions. In the backdrop of deepening economic interdependence and more co-participated international institutions, China and the U.S. all conduct institutional balancing and gradually form institutional politics in the Asia-Pacific.

2. China–U.S. Institutional Balancing: Proposition and Examination

The main hypothesis of China-U.S. institutional balancing is that the interplay between the Asia-Pacific distribution of power and the China-U.S. economic interdependence determines the two countries to conduct either power balancing or institutional balancing. The stronger the China-U.S. decision makers' perceptions of interdependence, the more risky and costly for the two countries to pursue military balancing, thus the more likely it is that the two countries will engage in institutional balancing. Different perceptions of power configurations in the Asia-Pacific system determine how the two countries conduct institutional balancing, either inclusively, exclusively, or both. In the following paragraphs, the author will give further analysis of distribution of power and economic interdependence between China and the U.S. to examine China-U.S. institutional balancing in the Asia-Pacific.

2.1 Distribution of Power in the Asia-Pacific

The distribution of power in the Asia-Pacific forms a hierarchical structure. The U.S. is on the top level of this structure; China follows the U.S. and is subsequently followed by Japan and Russia. The lowest level includes South Korean, Canada, and Australia (see Table 1). In the following section, the author will analyze China and the U.S.'s influence in the Asia-Pacific by comparing their economic and military sphere.

In the economic sphere, there is still a large gap between China and the U.S. According to the data of the International Monetary Fund (see Table 2). The gross domestic product (GDP) of the U.S. is \$ 20.494 trillion (current prices) in 2018 whereas the GDP of China is \$ 13.407

trillion, which makes it clear that the U.S.’s GDP is more than 1.5 times that of China in current prices. If we compare the GDP per capita of China and the U.S., we can find that the gap is even wider. The GDP per capita of China is \$ 9,608 (current prices) in 2018 whereas in the U.S. it is \$ 62,606. This exceptional gap between the GDP per capita in China and the U.S. clearly shows that the U.S.’s economic dominance remains solid and that China is still a developing country.

In the military sphere, when one examines conventional military capacities (see Table 3), one may get the impression that China has almost achieved parity status with the U.S. in terms of

Table 1. Hierarchical Structure of Asia-Pacific System (Eighth most powerful countries)

Rank	Country	Power Score	Superpower	Global power	Hemispheric power	Regional power	Local power
1	United States	100	■				
2	China	56.86		■			
3	Japan	48.19			■		
4	Canada	46.47			■		
5	Australia	42.30			■		
6	Russia	37.86				■	
7	South Korea	37.42				■	
8	Indonesia	28.51					■

Source: (Rogers 2019).

Table 2. Comparison of the U.S. and China: GDP and GDP per capita (1990–2018)

Category	Country	1990	1995	2000	2005	2010	2015	2018
GDP, current prices, bn US\$	U.S.	5,963.1	7,639.8	10,252.4	13,036.6	14,992.1	18,219.3	20,494.1
	China	398.6	736.9	1,214.9	2,038.8	6,066.4	11,226.2	13,407.4
per capita, current prices, US\$	U.S.	23,848	28,671	36,318	44,026	48,403	56,770	62,606
	China	349	608	959	1,766	4,524	8,167	9,608

Source: (International Monetary Fund 2019).

Table 3. Comparison of U.S. and China: conventional military capabilities (2019)

	U.S.	China
Total Military Personnel	2,141,900 (est.)	2,693,000 (est.)
Total Aircraft Strength	13,398	3,187
Combat Tanks	6,287	13,050
Total Naval Assets	415	714
Aircraft Carriers	24	1
Submarines	68	76

Source: (Global Firepower 2019).

military personal and other conventional weaponry, such as tanks, naval assets, submarines, etc.

However, when one looks beyond conventional weaponry to examine nuclear capabilities and strategic weaponry (see Table 4), there is no comparison, as the U.S. far exceeds China. The U.S. possesses 21 times more nuclear weapons and 6-9 times more intercontinental ballistic missiles than China does. This is not to mention that the U.S. military has been actively developing missile defense systems in both its own homeland and for its allies, such as Japan in the Asia-Pacific, which may effectively deter China's missile capacity (Zhao 2009, 235).

When one examines military expenditure (see Table 5), it is easy to see that there is a gap between China and the U.S., though China has been increasing its investment on military expenditure in these years. In 2018, the military expenditure of the U.S. is \$649 billion, accounting for 36% of world total military expenditure. In comparison, the military expenditure of China is \$250 billion, accounting for 14% of world's total. In other words, the military expenditure of the U.S. is 2.6 times more than China's. Moreover, military expenditure in the U.S. is even more than the 7 countries that follow the U.S. combined. These countries are China, Saudi Arabia,

Table 4. Comparison of the U.S. and China: nuclear capabilities

		U.S.	China
Nuclear weapons ^a	Total inventory	6 185	290
	Deployed	1 750	?
Intercontinental ballistic missiles (ICBMs)	Number	400 ^b	50-75 ^c

Source: *a* (Kristensen & Korda 2019), *b* (Kristensen & Norris 2018a, 120-121), *c* (Kristensen & Norris 2018b, 291).

Table 5. The 15 countries with the highest military expenditure in 2018

Spending figures are in US\$, at current prices and exchange rates. Changes are in real terms, based on constant (2017) US\$.

Rank	Country	Spending (\$ b.)	Change (%), (2009-18)	World Share (%) 2018
1	United States	649	-17	36
2	China	[250]	83	[14]
3	Saudi Arabia	[67.6]	28	[3.7]
4	India	66.5	29	3.7
5	France	63.8	1.6	3.5
6	Russia	61.4	27	3.4
7	United Kingdom	50.0	-17	2.7
8	Germany	49.5	9.0	2.7
9	Japan	46.6	2.3	2.6
10	South Korea	43.1	28	2.4
	World total	1822	5.4	100

Source: (Tian, et al. 2019).

Note: [] = SIPRI estimate.

India, France, Russia, United Kingdom, and Germany (Tian. et al. 2019). There is still a long time for China to catch up to the U.S. in military expenditure.

In summary, the power distribution in the Asia-Pacific is similar to a unipolar system. In the following decades, structural changes can hardly arise and the U.S. as the sole super power will retain its dominant status. The U.S. is a superpower while China remains a secondary global power. Considering the big gap between two countries, China should not conduct military balancing or hard balancing.

2.2 Deepening Economic Interdependence Between China and the U.S.

In the economic field, the interdependence between China and the U.S. has continually deepened after the Cold War. Economic interdependence can be measured by bilateral trade and FDI. According to the General Administration of Customs of China (see Table 6), the volume of China-U.S. trade in 1979 was \$2.45 billion. In 2018, this number increased to \$633.52 billion, 259 times more than 39 years ago. Now, China and the U.S. has each become the second largest trade partner to the other. In the field of investment, according to MOFCOM, by the end of 2017, there were approximately 68,000 US-funded enterprises in China with over US\$83 billion in actualized investment (Information Office of the State Council, the People's Republic of China 2018). The U.S. is still one of the largest sources of foreign investment in China. To the U.S., the importance of China's economy is increasing. In 1989, China accounted for 1.6% of U.S. gross exports, while in 2018 this proportion has increased to 7.23% with \$120.34 billion of exports to China. In 1989, China accounted for 2.53% of U.S. gross imports, while in 2018 this proportion has increased to 21.22% with \$539.50 billion of imports from China (International Trade Administration of U.S. Department of Commerce, accessed May 6, 2019). Also, there is an increasing trend of investment from China in the U.S. According to the data from China, China's outward FDI flow to the U.S. has increased from \$1.88 billion to \$6.43 billion from 2007 to 2017. By the end of 2017, China's outward FDI stock in the U.S. had been recorded at \$67.38 billion (Ministry of Commerce of the People's Republic of China, et al. 2018, 122). The U.S. has become an important investment base to China's multinational enterprise.

In the financial field, China's holding of large amounts of U.S. treasury makes the China-U.S. connection more related. In September 2008, China replaced Japan as the biggest creditor nation of the U.S. treasury. As of March 2019, China held \$ 1120.5 billion of U.S. treasury (U.S. Department of the Treasury. 2019). If China decreases its holding of U.S. treasury, the U.S. will face significant amounts of pressure on the economy in terms of the interest rate. Though China has no interest in threatening the U.S. in this way, it reflects a deepening economic interdependence. Therefore, the cost of hard balancing between the two countries has increased and become more unpopular.

From the perspective of the independent variable of “the polar distribution of power in the Asia-Pacific system,” there exists a wide power gap between China and the U.S., the Asia-Pacific system is nearly a Unipolar system which is dominated by the U.S. The power gap between the United States and China determines that China can't conduct military balancing or hard balancing with the U.S. In terms of the perspective of the independent variable of deepening economic interdependence, the cost of hard balancing increases and becomes more unpopular. Therefore, institutional balancing instead of military balancing becomes a rational choice for the two countries, in the situation of polar distribution of power and deepening interdependence. To lighten the pressure from the “rising power dilemma,” China must select a peaceful rise instead of military rise.

3. China–U.S. Institutional Balancing: Three Case Studies

China and the United States can conduct two forms of institutional balancing in the Asia-Pacific. The first form is China-U.S. inclusive institutional balancing, which refers to binding each other within the Asia-Pacific institutions; the other form is China-U.S. exclusive institutional balancing, which means keeping each other out. During the post-Cold War era, a large number of multilateral institutions have emerged in the Asia-Pacific region (see Figure 1). In light of the fact that ARF, APT, and EAS are the three most influential multilateral institutions in the region, the author uses these three institutions as case studies to analyze how China and the U.S. conduct institutional balancing in the region.

3.1 The ARF: Inclusive Institutional Balancing

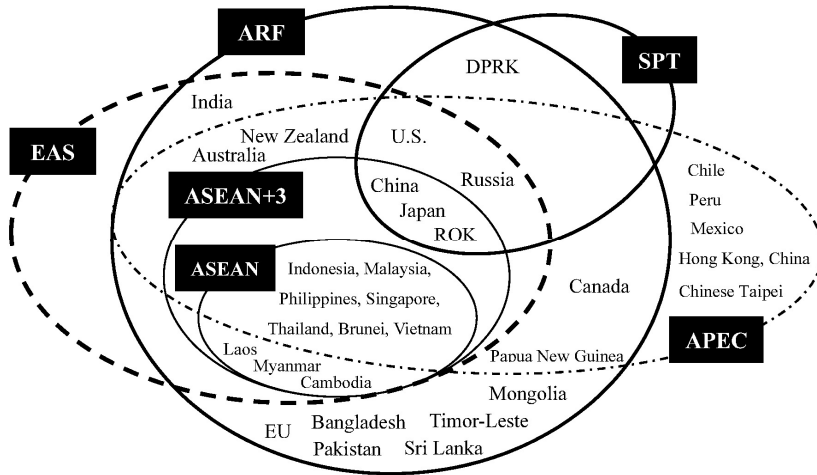
The ASEAN Regional Forum (ARF) is a formal, official, multilateral dialogue in the Asia-Pacific. The ARF's objectives are to foster dialogue and consultation, and promote confidence-building and preventive diplomacy in the region. The ARF met for the first time in 1994. The current

Table 6. China–U.S. bilateral trade (1979–2018) (in billions of U.S. dollars)

	China				U.S.			
	1979	2000	2010	2018	1979	2000	2010	2018
Total bilateral trade	2.45	74.47	385.34	633.52	2.37	116.4	456.86	659.84
Import	1.86	22.36	102.04	155.10	0.65	100.1	364.95	539.50
Export	0.60	52.11	283.30	478.42	1.72	16.3	91.91	120.34

Source: The Chinese data is from the “Customs Statistics” of the General Administration of Customs of the People's Republic of China, <http://www.customs.gov.cn/customs/302249/302274/302275/index.html>; The U.S. data is from the International Trade Administration of U.S. Department of Commerce, <http://tse.export.gov/TSE/TSEOptions.aspx?ReportID=2&Referrer=TSEReports.aspx&DataSource=NTD> (accessed May 6, 2019)

Figure 1. Multilateral institutions and international organizations in the Asia-Pacific



Source: Qi Huaigao, *Building East Asia's Future: China-U.S. Institutional Balancing and Transformation of East Asia System* (Beijing: China Social Sciences Press, 2011): 211. The figure was updated by the author. The information of ARF's 27 participants and APEC's 21 members is as of June 2019.

participants in the ARF are as follows: all the ASEAN members, Australia, Bangladesh, Canada, China, the European Union, India, Japan, North Korea, South Korea, Mongolia, New Zealand, Pakistan, Papua New Guinea, Russia, East Timor, United States and Sri Lanka. ARF not only deals with regional security issues in southeastern Asia, but also pays attention to world politics, such as the South China Sea issue, Korean peninsula issue, and anti-terrorism issue. Both China and the U.S. conduct inclusive institutional balancing in the ARF.

China recognizes the importance of inclusive institutional balancing through participating in the ARF. At the ARF, China basically faces challenges from both ASEAN states and the U.S. While ASEAN was concerned about China's policy in the South China Sea, the U.S. intended to institutionalize the ARF and increase China's defense transparency (He 2009, 40-41). For example, the Mischief Reef incident in February 1995 shows how China reacted to the two challenges. In this incident, the Philippines discovered that Chinese naval forces seized the unoccupied Mischief Reef in the Spratly Islands, which raised tensions throughout Southeast Asia. Thereafter China faced unprecedented diplomatic pressures from the ASEAN states, because ASEAN's intention of uniting together against China was very clear (Wu 2005, 192). The ASEAN states tried to integrate the discussion of the South China Sea issue into the ARF, and the U.S. also expressed its concerns about the territorial disputes and the freedom of navigation in the South China Sea. Under such circumstances, China's best strategy was not to block the discussion of the South China Sea issue with the ASEAN states and the U.S., but to accommodate the core interests and major concerns of the ASEAN states and the U.S. The practical approaches adopted

by China are as follows: Firstly, China coordinated with ASEAN states to shape the rules of the game in the ARF; Secondly, China admitted the reality of the U.S.'s interests in the region; Thirdly, China has successfully blocked the Taiwan issue from the ARF's agenda ever since 1994. Lastly, China showed its diplomatic flexibility in the South China Sea issue and advocated the settlement of the issue through peaceful means. China has achieved two goals through conducting inclusive institutional balancing in the ARF: on the one hand, China accommodates the U.S.'s interests in East Asia and its demand for security; on the other hand, China eases the suspicious of the ASEAN states regarding China.

Following the changing regional security environment after the Cold War, the U.S. has begun to recognize the importance of multilateral security cooperation in the Asia-Pacific, and actively participate in multi-dialogue under this structure. Though the ARF was criticized as "talk shop" due to its nonbinding and voluntary commitments rather than formal treaties and negotiations, the U.S. had no alternative institution during the 1990s (Evans 2000, 158). For the U.S., the ARF helps to maintain a peaceful environment in the Asia-Pacific and secures American dominant status in the Asia-Pacific security paradigm. In Ralf Emmers' opinion, the U.S. conceived the ARF as an instrument for ensuring its continued involvement in East Asia, and has taken the ARF as a rule-based arrangement to encourage China to practice good international behavior (Emmers 2001, 275-291). Overall, the U.S., like China, conducts inclusive institutional balancing in the ARF.

3.2 The ASEAN Plus Three: Exclusive Institutional Balancing

In December 1997, the ASEAN invited China, Japan, and South Korea to attend the first ASEAN Plus Three (APT) informal summit. In 1998, the APT was consolidated through the "ASEAN Plus China, Japan, and South Korean" informal summit meeting in Hanoi. China is an important member of the APT, but the U.S. is not a member of the APT.

One important reason for founding the ASEAN and for China excluding the U.S. from the APT was that the U.S. showed indifference to the economic difficulties of Southeast Asian countries in the 1997/1998 Asian financial crisis. The ASEAN members have a bitter memory of the U.S. behavior during the devastating financial crisis. They frequently refer to Washington's decision not to come to the aid of Thailand (or any other ASEAN member), but to help Mexico overcome a similar crisis three and a half years ago. They also believe that Washington backed what they saw as unduly harsh conditions dictated by the IMF. Their conclusion was that they could not rely on help from Washington. The crisis presented China with a huge and unexpected diplomatic opportunity. Since then, China has become an active player in the region in all significant areas, including trade, aid, finance, culture, tourism, and security (Frost 2006). After the Asian financial crisis, Southeast Asian countries transformed their resentment to the IMF into anti-U.S.

sentiment. The ASEAN learnt that the U.S. was not a reliable economic partner. After that crisis the ASEAN regained two regional cooperation proposals advocated by the Malaysian Prime Minister Mahathir in the early 1990s, the East Asian Economic Group (EAEG) and the East Asian Economic Caucus (EAEC). The ASEAN hoped to solve the unstable currency issue through economic cooperation.

In the APT, China and the ASEAN conduct exclusive institutional balancing. According to Kai He, the Shanghai Cooperation Organization (SCO) and the APT are two pillars of China's exclusive institutional balancing against the U.S. under unipolarity (He 2009, 44). Similar to the SCO, China has two goals behind its active economic diplomacy in the APT. One is that China has tried to transform the APT from an economic bloc to a comprehensive multilateral institution; the other is that China wanted to keep the U.S. outside the door. At the same time, the ASEAN conducts the same strategy as the U.S. in the APT. Excluding the U.S. in the APT can strengthen the unity of the ASEAN and reduce their economic dependence on the U.S. Also, excluding the U.S. could pressure the U.S. so that it might change its previous arrogant attitude towards the ASEAN. It is important to note that although they conduct exclusive institutional balancing; neither ASEAN nor China has the intention to confront the U.S.

China's intention is to use the APT as a bargaining chip with the U.S. The more successfully the APT develops the better for China to bargain with the U.S. in Asia-Pacific affairs. So China will continuously support the development of the APT and promote its pragmatic cooperation. To China, the APT and the EAS are correlated as a "core" and a "protective belt." (Qi & Shi 2013, 42) The U.S. is well aware of the APT's exclusive institutional balancing conduct, so the U.S. tries to minimize the importance of the APT. For example, the George W. Bush administration believed the APT was not important. In the contrary, the U.S. has more interest in the APEC. A senior official of the Bush administration indicated that it continues to support APEC as "by far the most robust, multilateral grouping in Asia." (Vaughn 2006) When it comes to the Obama administration, the U.S. relies on the TPP to balance the influence of the APT (Yang 2011, 21).

3.3 The EAS: from Exclusive Institutional Balancing to Inclusive Institutional Balancing

Before the U.S. joined the EAS, the ASEAN and China conducted exclusive institutional balancing in the U.S. After the U.S. joined the EAS in 2011, exclusive institutional balancing gradually evolved into inclusive institutional balancing. The first East Asia Summit was held on December 14, 2005 in Kuala Lumpur, Malaysia. China, Japan, South Korean, Australia, New Zealand, and India became the members of the first EAS, but the U.S. was not invited at that time. Prior to the first EAS in December 2005, there existed some differences regarding

the membership of the EAS. China and Malaysia favored restricting the membership to the APT countries; while Japan, Australia, Singapore, and Indonesia favored broader membership. The compromise was a set of three criteria: invitees must (1) be “dialogue partners” of the ASEAN, (2) have significant economic ties with the ASEAN, and (3) be signatories of the Treaty of Amity and Cooperation in Southeast Asia (TAC) (Frost 2006). Australia, New Zealand, and India met all three criteria and were included; the U.S. only met the first two. The TAC is ASEAN’s signature document. To member states it symbolizes national autonomy, regional stability, and the opportunity to pursue economic growth. The U.S. has not signed it because: (1) “we shouldn’t limit our freedom of action in any way;” (2) “we take treaties seriously but the TAC is a meaningless and we don’t sign things like this;” and (3) “Congress may not like it, and we have bigger fish to fry, notably restoring military ties with Indonesia.” (Frost 2006) During the preparation of the first EAS, many American scholars voiced their doubt: since an APEC already exists, what is the necessity of an EAS? They doubted that the aim of the EAS was to decrease the U.S.’s influence in East Asia. Worried about the establishment of the so-called East Asia community, Colin L. Powell, then Secretary of the U.S. Department of State, did not think it was necessary to establish the East Asia community. He also warned that “sovereign nations are free to choose what they do, but don’t choose it in a way that undercuts the very, very fine and strong relations that we have, that the United States has with each and every one of our friends in Asia.” (U.S. Department of State 2004) Before July 2009, the U.S. did not sign the TAC and was excluded outside the EAS.

However, with China’s rapid rise and its growing influence in Asia, the U.S. began to worry that China’s rise might damage the interests of the U.S. The U.S. therefore gradually changed its arrogant attitude. In July 2009, then Secretary of State Hillary Clinton signed the TAC and eliminated the last barrier to prevent the U.S. from being invited to the EAS. In July 2010, foreign ministers of the ASEAN published joint declaration to express that the U.S. was welcome to join the EAS. In October 2010, on the fifth EAS summit, leaders from all parties reached a consensus to invite the U.S. to join the EAS. In November 2011, on the sixth EAS, the U.S. became a member of the EAS.

In terms of inclusive institutional balancing, China is optimistic about the U.S.’s membership in the EAS. For example, in October 2010, then China’s Premier Wen Jiabao expressed China’s position when attending the fifth EAS. He said, “the Chinese government welcomes the U.S. to join the EAS.” (Chinanews 2010) Due to the ASEAN’s concern and doubt about China, the U.S. is seen as a balancer role to counterbalance China. Moreover, considering the superpower of the U.S. and its core interest in the Asia-Pacific, it is impractical to exclude the U.S. from the EAS. When the U.S. is included in the EAS, the institutions of the EAS will bind the U.S.’s behavior and it will be helpful to realize compatibility and coexistence between China and the U.S. (Qi 2010, 68)

Through the examination of the ARF, APT, and EAS, the author believes that: (1) both China and the U.S. conduct inclusive institutional balancing in the ARF; (2) since the U.S. is excluded from the APT, China and the ASEAN conduct exclusive institutional balancing with the U.S.; and (3) in the EAS, with the participation of the U.S., exclusive institutional balancing evolves into inclusive institutional balancing. This evolution not only reflects China's admission of the U.S.'s important influence in the Asia-Pacific, but also embodies the effectiveness of institutional balancing to the U.S. Since 2013, China has initiated new institutions like the Belt and Road Initiative (BRI) and the Asian Infrastructure Investment Bank (AIIB). The U.S. is not a member state of the AIIB until now. And U.S. Trump Administration has not stated clearly its stand toward the BRI. The BRI and the AIIB can exemplify well the rising influence of China's institutional power, and the two new institutions maybe the examples showing China's institutional balancing. But considering the U.S.'s ambiguous attitude toward the BRI and the AIIB, the author does not use the two new institutions as cases showing China-U.S. institutional balancing.

4. The implications of China–U.S. Institutional Balancing on China's Foreign Policy Choices

China-U.S. competition in the Asia-Pacific region is growing, reflecting a rivalry for geopolitical and geo-economic gains between a rising power and a hegemonic power (Wu 2016, 866). The increasing China-U.S. competition will make the U.S. more anxious and increase the possibility of U.S.-China antagonism. Therefore China should be highly cautious to avoid U.S.-China antagonism in the future decade. Institutional balancing has the following implications to China-U.S. bilateral relations.

Firstly, China should continue to conduct and improve institutional balancing with the U.S. China should choose a strategy that does not damage the U.S.'s vital interests because China recognizes the U.S.'s hegemony and vital interests in the Asia-Pacific. To the U.S., the rise of China is an unavoidable fact and the U.S. has begun to think pragmatically about the possibility of co-existence and co-prosperity with China. In the perspective of the U.S., the U.S. selects soft balancing or institutional balancing as its strategy to China. Kai He and Huiyun Feng use the soft balancing model to examine U.S. policy toward China after the Cold War. First, the U.S. did not forge new military alliances to contain China as it did to contain the Soviet Union during the Cold War. Second, U.S. policy toward China mainly followed the soft balancing trajectory although the U.S. has also prepared for possible future hard balancing against China (He & Feng 2008, 388). For the long term, the power gap between the two nations will exist for a long time, which requires China to have a rational recognition of this situation. For China,

institutional balancing instead of hard balancing is a practical choice. The “self-restraint, modest operations” raised by Deng Xiaoping should continue to guide China’s long-term strategy (Deng 1993, 363). At least for now, the prophecy of massive strategic rivalry and military antagonism between China and the U.S. has not come true. This is because China does not have enough national capability to confront the U.S., and the cost of hard balancing becomes higher and higher due to increased economic interdependence.

Secondly, both China and the U.S. should encourage each other to participate in the Asia-Pacific multilateral institutions. Institutional balancing theory shows that international institutions form the frame for international cooperation, the platform for international competition, and are an important way to reduce the pressure of the “rising power dilemma.” (Qi 2011, 183) Until now, there have been institutions like the APEC, ARF, APT, and EAS, where both China and the U.S. have actively participated in them. However, this is not sufficient. China-U.S. relations are also restricted by third parties, which means this bilateral relation has to be considered in a framework where factors like neighboring countries are taken into account. China, the U.S., and other Asian neighbors have become an integrated organism (Yuan 2012, 8). Therefore, China and the U.S. could try to initiate multilateral dialogue like China-U.S.-Japan, China-U.S.-India, China-U.S.-Russia, China-U.S.-ASEAN, etc. In those multilateral dialogues, pushing the third party to make a choice between China and the U.S. should be avoided (Qi & Shi 2013, 31). The aim of multilateral dialogue is to remove China-U.S. strategic distrust and reduce misgivings among Asian great powers. In February 2012, Chinese Vice President Xi Jinping and U.S. President Barack Obama released a joint fact sheet, under the framework of the Economic Track of the China-U.S. Strategic and Economic Dialogue (S&ED). The S&ED recognized that “China and the U.S. commit to sharing relevant information on our respective regional free trade agreements, including the Trans-Pacific Partnership (TPP) and the China, Japan, Republic of Korea FTA.” (White House 2012) This is an effective way to enhance trust and reduce misgivings between China and the U.S. They are expected to require increased cooperation to construct a more comprehensive multilateral security region in the Asia-Pacific. For example, both China and the U.S. could support an ASEAN-leading, tolerant, and open-minded multilateral security regime. This regime could be constructed on the basis of the ARF and the ASEAN Defense Ministers Meeting-Plus (ADMM-Plus). The ADMM-Plus is made up of the 10 ASEAN defense ministers and eight dialogue partners: defense ministers from China, the United States, Japan, South Korea, Australia, India, New Zealand and Russia. ADMM-Plus was established in 2010 and still in process. Some extra-regional countries or international organizations (like the EU and Australia, etc.) are also welcome to join this regime so that it can function as a “stabilizer” in promoting regional peace.

Thirdly, both China and the U.S. should continue to deepen mutual economic interdependence. Institutional balancing theory proposes that highly deepening economic interdependence forces

nations to select institutional balancing instead of military balancing. A pattern of high economic interdependence is taking shape after more than 30 years of formal diplomatic relations between China and the U.S. According to the economic data in the second part of this article, the total China-U.S. bilateral trade is \$633.52 billion in 2018 (China's side). By the end of 2017, the actualized investment from the U.S. to China was \$83 billion. As of March 2019, China held \$ 1120.5 billion of U.S. treasury. More important is that there is work to be done on both sides to make such economic interdependence more asymmetrical. Both China and the U.S. need to take actions in the field of investment and trade. First, both sides need to promote bilateral investment. China's non-financial FDI to the U.S. is down about 33.4 percent year-on-year in 2018 due to the U.S.-China trade tension (Economic and Commercial Counselor's Office of the Embassy of China in the U.S. 2019). There is work to be done on both sides to make such investments more attractive. The U.S. side must make concerted efforts to provide better information and guidance on how to navigate the American regulatory system and how to evaluate whether any proposed investment might trigger a national security review. On the Chinese side, there is much work to be done to educate firms on the American market and business practices in order to be successful in the U.S. Chinese firms also require a great deal of help to learn how to meet standards of corporate governance and transparency that are necessary to operate in the U.S. (Lieberthal & Wang 2012, 41-42) Second, the U.S. government needs to review its regulations on exports of technology with a view toward updating those regulations. If the U.S. government relaxes its regulations on exports of technology to China, the U.S.'s trade deficit against China will be effectively reduced. The regulations on exports of technology contribute to the issue of a huge trade deficit. Though China has exported a large amount of clothes, shoes, and other products with low added value, it is hard for China to import advanced technological products from the U.S. Zhang Yesui, then Chinese Ambassador to the U.S., once mentioned, "from 2001 to 2010, the portion of China's imports of advanced technological products from the U.S. had decreased from 18.3% to 7.1% due to U.S. regulations on exports of technology." (Embassy of the People's Republic of China in the United States of America 2011) The U.S. Trump Administration's raising tariffs on China's imports will not help to solve the trade issue.

To China, a stable China-U.S. relationship is the key external factor for its development. During a period of competitive coexistence between China and the U.S., competition is rising, cooperation is declining, and strategic mistrust is pervasive (Shambaugh 2013, 73-74). In the crucial period of China's peaceful rise, China must avoid repeating the past mistakes of Anglo-German antagonism (1860-1914) and the Soviet Union-U.S. antagonism (1945-1991), and must be cautious to avoid confrontation and conflict with the U.S. To realize a beneficial interaction between China and the U.S. in the Asia-Pacific, China should continue to conduct and improve institutional balancing strategy with the U.S. Through participating in multilateral

international institutions and deepening economic interdependence, tense situation between the two countries will be decreased.

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