

# Is a ‘Grand Bargain’ the Way Forward in Northeast Asia?

By Evelyn Goh

The regional order in Asia that emerged after the Second World War and was marked by US power and leadership, is disintegrating — along with the various “grand bargains” that were forged among various regional players over the years. The rise of China and its implicit challenge to US leadership is creating an urgent need for Washington and Beijing to forge a new grand bargain. Evelyn Goh explores the challenges.

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## About the author

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Strategic efforts are defined by their ultimate “big picture” goals. So what ought to be the endpoint for strategic diplomacy in Northeast Asia? In this article I argue that from a broad perspective of regional order, one ultimate goal must be to forge a feasible and sustainable “grand bargain” among the resident great powers.

For at least the last two-and-a-half decades, Northeast Asia has been plagued by multiple uncertainties, especially regarding the economic and security implications of China’s resurgence and the durability of American preponderance and leadership in the region. The latter is currently the greatest of these “unknown unknowns,” following Donald J. Trump’s election as the next US president. Moreover, these questions sit alongside other important and enduring regional uncertainties, particularly Japan’s “abnormal” military condition, the divisions between the two Koreas and the divide between Taiwan and Mainland China. In recent years, key voices on both the Chinese and American sides have mooted notions of closer collaboration and joint great-power management in response to these multiple uncertainties — for instance, the idea of Washington and Beijing acting as a G-2 to tackle global problems, or President Xi Jinping’s concept of a “new model of major power relations” between China and the US. But the necessary foundations for any such strategic collaboration must be new and fundamental mutual agreements between the US, China and other major East Asian states. In this vein, a number of scholars and analysts have begun to discuss more seriously the prospects for negotiating grand bargains of one type or another, which may help ease these uncertainties by creating the foundations for a stable new regional order. There are two notable examples.

First, in 2012, Hugh White published a subsequently much-debated book, *The China Choice*, calling for Washington to take seriously the need to share power with Beijing, and suggesting that this should take the form of a new concert of powers involving the US, China, Japan, India and possibly Indonesia. The book pays more attention to making the case for why this radical choice is necessary than to how it should be put into practice, but in a small section White lists seven “essential understandings” that the two sides must agree upon. In essence, these would be the basis for a new grand bargain between China and the US. The list focuses on mutual legitimacy: treating each other as equals; recognizing each other’s domestic political systems; respecting each other’s national interests and right to develop armed forces sufficient to defend themselves; committing to resolve differences peacefully; agreeing on the norms of legitimate conduct; mutual willingness to counter attempts to dominate; and the ability to sell this to domestic audiences.<sup>1</sup> White does not provide more substantive explanations for what the power-sharing bargain between the US and China might look like, but the one controversial condition he does mention is that a regional concert would have to include a more “normal,” independently militarized — and nuclear-armed — Japan.

The second example is Charles Glaser’s argument in 2015 that the US ought to adopt “limited geopolitical accommodation to avoid conflict” toward China.<sup>2</sup> He specifically proposes that Washington should negotiate a grand bargain that would trade ending the US commitment to defend Taiwan for China’s peaceful settlement

on fair terms of its territorial disputes in the East and South China Seas, and Beijing's official acceptance of America's military security role in East Asia, including its alliances and forward deployment. He argues that such a grand bargain would not be neatly symmetrical, but could be acceptable if the two sides can agree to "trade across multiple issues, making both sides better off, but not necessarily equally."

Apart from generating a lot of controversy, these two views help advance the debate on US strategy toward contemporary China, if only by forcing us to consider more seriously the terms under which a scenario of "negotiated change" (as opposed to a war-torn power transition) might occur.<sup>3</sup> In this sense, the debate these works aim to fuel is about the content of a putative grand bargain between the US and China.

To put into context the debate about a possible new grand bargain for the analytical and policy challenges of strategic diplomacy in Northeast Asia, I offer in this article three entry-points for discussion. First, I set out the comparative advantages of adopting a grand-bargain framework to understand how a new regional order might be negotiated. Second, I underscore the fact that prior strategic bargains already exist in the wider Asia-Pacific region, and consider how these may interact with the proposals for a new grand bargain. Finally, I briefly review some recent key Chinese ideas about such bargains to highlight the obstacles and opportunities faced by strategic diplomats seeking to broker a new grand bargain in Northeast Asia.

### **THE 'GRAND BARGAIN' APPROACH**

At its most basic level, a grand bargain between two states may be understood in contractual terms: it consists of a bundle of agreements by which state X gives up something of significant strategic value to itself, in exchange for state Y committing to something that is of equal or greater strategic value. The overall purpose would be to bring about more clarity and predictability regarding their goals and interactions.

A grand bargain is based on the notion that co-existence among states (and especially major powers) is built upon reciprocal commitments, or fundamental political compromises, which allow some form of strategic exchange and interdependence to develop. Between great powers, grand bargains in their most advanced form must entail some form of negotiated constraints to their exercise of power. Grand bargains basically involve implicit or explicit agreements about the mutually acceptable terms on which peaceful relations can be conducted. These include understandings about recognition and status, mutual rights and responsibilities, mutual spheres of influence, terms of exchange, and conditions of restraint. It is on this basis that scholars sometimes argue that the US and China, or China and Japan, will need to negotiate a grand bargain between themselves and even with other key states in East Asia, for regional security and stability to prevail.<sup>4</sup>

In general, the big advantage of a bargain approach to understanding and influencing great power relations is its innate relationality — the reciprocal and transactional assumptions underpinning bargains oblige us to examine and try to reconcile the preferences, goals and tactics of each of the parties involved. This sits in contrast, for example, to the one-sided, unilateral notions of containment or appeasement that often seem to dominate debates about how to respond to China's rise. Thinking about bargains involves taking seriously what the other side wants and values. Moreover — and importantly, given our project's starting point to understand international order as a complex system — a grand bargain approach is by definition wider. On the one hand, it connotes linkage across issues, as Glaser suggests. But it also crucially entails a systemic perspective beyond just the bilateral relationship: the lens of a grand bargain should additionally allow us to view the broader regional and historical contexts that clearly affect the attractiveness, viability and scope of any putative new US-China bargain, for instance.

From such a starting point, we may identify at least two issues critical to the possibility of a grand bargain in contemporary Northeast Asia: the effects of existing strategic bargains, and Chinese notions of the acceptable terms for a bargain with

the US. Both of these issues affect how desirable proposals for grand bargains like White's and Glaser's might be from the points of view of China and crucial US allies in the region.

### **STRATEGIC BARGAINS IN THE *STATUS QUO ANTE***

Strategic bargains form the sinews of international order, and while they are most likely to be struck at critical junctures — such as following crises or wars — once struck, they do not simply disappear but continue to evolve and might be renegotiated. As such, anything we may propose in the contemporary setting would in fact be a *new* grand bargain between the US and China. It would not be created from scratch, because the status quo ante is already marked by a series of grand, regional, trilateral and bilateral bargains. This is a fundamentally important point — it shows that Washington and Beijing (and other Northeast Asian states, for that matter) have been and are capable of striking bargains. But this understanding also presents constraints for any new proposed bargain, because it will involve revising or renegotiating previous, disintegrating or ongoing bargains between the US and China, and between them and Taiwan, as well as Japan.

The most important systemic context for a new bargain is the post-Cold War economic-security grand bargain between China and the US. The economic side of this bargain is crucial, but is undergoing a difficult transformation. In simple terms, the bargain is based on intensified interdependence underpinned by the US dollar as the world's reserve currency. Like other states that support that bargain, China has gained access to the US market in exchange for its undervalued currency, which in turn supports massive US government spending. Essentially, this is a bargain that stipulates that China and other key lenders and exporters keep accumulating US dollars while the US keeps consuming foreign goods and services.<sup>5</sup> As Michael Mastanduno argues, this grand systemic bargain has been fatally undermined by the global financial crisis, which will force the US eventually to draw down domestic consumption and borrowing, and consequently also reduce its tolerance for China's export-led growth strategy. In parallel, since the 2008 crisis, China has redoubled its focus on developing its domestic consumer market, and tried to diversify its foreign reserve holdings away from an over dependence on dollars. Both these trends are reducing their mutual interdependence, and as the "special economic relationship" becomes less special, so too will their mutual strategic restraint be dampened and their security relationship further strained.<sup>6</sup> Given this trend, China's incentives to strike a new *asymmetrical* bargain with the US like the one Glaser suggests are unclear.

On the security side, any new US-China grand bargain would have to grapple with another central but disintegrating previous bargain. During the Cold War, the East Asian order was underpinned by the alliance between the US and Japan, in which Washington extended its security umbrella to Japan in exchange for the country's disarmament, pacification and guaranteed alignment with the "free world." In effect, this bargain saw the US step into the breach between Japan and China as an "outside arbiter play[ing] a policing role." By making Japanese defense dependent on itself, the US extended a "dual reassurance," simultaneously guaranteeing China and Japan security against each other and obviating the need for them to engage in direct security competition.<sup>7</sup> After 1995, the revitalization of the US-Japan alliance based on Japan playing a more active regional and global military role seemed to undermine Washington's ring-holding ability between Japan and China. Beijing began to regard the US-Japan alliance less as a means to constrain as to *facilitate* Japan's remilitarization, a view reinforced by the central role of the alliance in the more recent US "pivot," or rebalance, to Asia.<sup>8</sup> There is also a growing view within China that the US used the cover of the alliance to "illicitly transfer" sovereignty over the Senkaku/Diaoyu Islands to Japan during the 1970s.<sup>9</sup>

Using the lens of these disintegrating strategic bargains highlights the major unresolved sticking point of Japan's increasingly contested role in the regional order. While Glaser does take Japan into account, his main concern is whether ending the

US defense commitment to Taiwan will have a negative impact on the credibility of the US alliance with Japan. But the US-Japan alliance has already changed in character — and from China’s point of view, to the detriment of a previous bargain. Thus, any proposed new Sino-American bargain that takes the US-Japan alliance as a constant while asking both China and Japan to make concessions in their territorial disputes is unlikely to be acceptable. Many Chinese no doubt would prefer to continue to characterize Japan as a second-rate “American lackey,” but increasingly under President Xi’s strategy of “striving for achievement,” these two allies are being differentiated, with the US viewed as China’s only strategic competitor and Japan as one of its key “hostile countries.”<sup>10</sup> Against this background, the assumption that Japan’s “normalization” is an inevitable prerequisite for regional power-sharing is too casual. Arguably, there is now more than an unintentional security dilemma between China and Japan,<sup>11</sup> and their growing conflicts of interest and nationalism are likely to create a spiral of insecurity that will undermine the prospects for a US-China grand bargain that involves any compromise between China and Japan.

Pre-existing and evolving bargains also surround the issue of Taiwan, which is central to Glaser’s proposed strategy of territorial accommodation. On Taiwan, China and the US achieved a limited bargain during the 1979 normalization, based on the principle of “one China.” Beijing was accorded diplomatic recognition and authority over all of China, and Washington recognized that Taiwan is part of China and relinquished the right to encourage Taiwanese independence (though not the right to sell arms to Taiwan). While they agreed on the peaceful means for resolving the problem, they disagreed on the necessity of reunification as the eventual outcome.<sup>12</sup> Since then, China and the US have each tried to negotiate alternative bargains with Taiwan, partly in order to stabilize the remaining ambiguities of the status quo ante. The rival models come across clearly in an illuminating exchange between a Chinese and an American scholar, Jia Qingguo and Alan Romberg.<sup>13</sup> Beijing’s offer is in the form of the “one country, two systems” track toward reunification, whereby Taiwan would trade independence for the preservation of its separate political system (exactly how is unspecified) and even control of its own armed forces.<sup>14</sup> The current US bargain with Taiwan aims at preserving the status quo, exchanging the US defense commitment and arms sales for Taiwan’s “three No’s” to war, unification or independence. Ceasing the US commitment to defend Taiwan, as Glaser suggests, will mean not only withdrawing the US bargain, but also making the Chinese one unnecessary, thus changing the potential terms of reunification. Understanding this context is important, because it suggests that while Taiwan is central to China’s security and national identity, Beijing may not place as high a value on potential US accommodation on this issue as Glaser suggests. Within the discourse on this in China, there is grave doubt anyway on whether the Taiwan card is really that powerful anymore in the relationship with the US, given that China thinks time is on its side.<sup>15</sup> Thus, while accommodation on Taiwan is essential, it is unlikely to be *sufficient* to make Glaser’s grand bargain acceptable to the Chinese.<sup>16</sup>

## **REGIONAL AND CHINESE IDEAS ABOUT STRATEGIC BARGAINS**

Within China, a debate is growing slowly but steadily away from Deng Xiaoping’s *taoguang yanghui* policy of biding time to develop comprehensive national power, towards questions of what kind of great power China should be and whether China ought to support or challenge the existing order. But this is still a gradual awakening, and without more coherence in narrowing down the parameters of this struggle for identity, power sharing with the US cannot be an option seriously favored by opinion leaders in the face of growing popular nationalism within China. Other countries in East Asia, meanwhile, either sustain national security identities that feed upon the assurance of continued US primacy, ground their national security strategies upon at least some degree of US-China rivalry, or seek to retain some strategic autonomy by forestalling great power domination. For all three reasons, any new bargain premised upon a potential US-China condominium is distasteful. Looking beyond Northeast Asia to Southeast Asia, it is hard to imagine effusive support for the concert of great powers that White suggests, which would by definition exclude the

majority of these small states. This was already evident in ASEAN's successful attempts to undermine an earlier Australian initiative to construct an Asia-Pacific Community centered on the major powers. Once again, picking out Indonesia as a sub-regional power only elicits alarm and resistance from this collection of states that have expended so much political and institutional effort to create for ASEAN a driving seat in regionalism precisely in order to avoid great power dominance that would undermine their autonomy.

Returning to Northeast Asia, the ideational, domestic political and strategic complexities that many scholars so vividly underscore on the US side are replicated on China's part.

First (and perhaps helpfully for anyone inclined to propose new bargains), the idea of strategic bargains comes naturally to many Chinese foreign policy interlocutors and their counterparts. For example, both China and Japan see the recent intensification of their territorial dispute in the East China Sea as resulting from the other side renegeing on their 1972 normalization agreement to set aside the dispute: the Chinese perceive Tokyo to have renegeed on it in 2012 when the Noda government bought the Senkaku islands, while the Japanese see Beijing as having renegeed earlier in the 2000s by significantly increasing paramilitary and military operations in the area and allowing more aggressive forms of confrontation on the ground. In the South China Sea, also, the Chinese see then-Secretary of State Hillary Clinton's 2010 diplomatic intervention in publicly criticizing Chinese assertiveness as renegeing on US professions of neutrality, while many Americans viewed reports of Chinese pronouncements about the area as a "core interest" for the country as evidence of an expanding Chinese sphere of influence, and as an assertion that runs counter to professions of China's "peaceful rise."

Second, there is a discourse in China on what a strategic bargain with the US might look like, particularly since the emergence of talk of a possible G2 and President Xi's notion of "a new model of major power relations." In a fairly typical liberal vein, Wu Xinbo argues that "it is time for China and the United States to try to reach an understanding on the evolving regional architecture through candid dialogue," encompassing "more equal relations between the two sides of the Pacific."<sup>17</sup>

The theme of a more equal exchange is echoed in a recent project by the Shanghai Academy of Social Sciences on US-China relations, which states that China would support a "positive leadership role" for the US if the latter would also support a "more positive and vigorous role in East Asia" that "leaves more room for maneuver for China in terms of claiming territorial rights and military development." Specifically, the US needs to "recognize China's sovereignty claims within its historical rights," "avoid getting involved in the territorial disputes between China and its neighbors" and "should never interfere militarily in the disputes and crises between China and its neighbors."<sup>18</sup>

At least one Chinese scholar, Shi Yinhong, has explicitly discussed what a more equal bargain between China and the US would look like at a broader, grand strategic level. His proposition is for a "peaceful 'final settlement'" based on "selective preponderance" in complementary realms.<sup>19</sup> The US would accept China's leading position in Asia based on its superior economic size, trade volume and regional influence; mutual deterrence based on China having military parity and even marginal superiority in China's offshore areas (with Taiwan's eastern shore being the "prudent" line); peaceful reunification of Taiwan with the mainland; and China "maintaining strategic space in a substantial but still narrow span of the western Pacific." In return, China would accept overall US military superiority globally and in the central and western Pacific; and preponderant American influence in other regions of the world.

## CONCLUSION

Diplomacy that is strategic needs to start from a consideration of the desired

strategic ends. In terms of order in Northeast Asia, one indispensable goal must be some *modus vivendi* among the major powers. As this brief overview suggests, there are some significant hurdles to be negotiated if we look slightly further down the line to consider how attractive current US-oriented propositions of a new grand bargain might be to a Chinese audience. At the same time, these proposals would have to contend with ongoing attempts at renegotiating and contesting a number of bargains underpinning key bilateral relationships and regional order in East Asia. Any form of negotiated change in the US-China bilateral relationship will require significant reversals in the mindsets and ambitions of the US and China. The same huge challenges face attempts to consider deep-seated changes in the China-Japan relationship.

The bottom line is that a grand bargain is possible in Northeast Asia — but it will entail sea changes in attitudes and expectations on all sides. History suggests that groups of states find it very difficult to undertake transformational changes like this without the radical impetus or shock of war. But perhaps strategic diplomacy can help, at least by creating opportunities to stimulate what often seems to be the unthinkable between Washington and Beijing, and between Beijing and Tokyo — non-military co-operative modes of security behavior and non-zero-sum strategic interactions with each other.

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#### Notes

1 Hugh White, *The China Choice: Why America Should Share Power* (Collingwood: Black Inc., 2012), pp. 137-41.

2 Charles L. Glaser, "A U.S.-China Grand Bargain? The Hard Choice between Military Competition and Accommodation," *International Security*, Vol. 39, No. 4 (Spring 2015), pp. 49-90, at p. 49.

3 For an earlier analysis of negotiated-change scenarios compared to power transition, see Evelyn Goh, "The U.S.-China Relationship and Asia-Pacific Security: Negotiating Change," *Asian Security*, Vol. 1, No. 3 (2005), pp. 216-244.

4 See Evelyn Goh, "Japan, China, and the Great Power Bargain in East Asia," East Asia Institute Fellows Working Paper Series no. 32, November 2011, [www.eai.or.kr/data/bbs/eng\\_report/2011103118375220.pdf](http://www.eai.or.kr/data/bbs/eng_report/2011103118375220.pdf). The key related approaches on institutional bargains, peace settlements and social compacts, are, respectively, found in G. John Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of International Order after Major Wars* (Princeton: Princeton University Press, 2001); Ian Clark, *The Post-Cold War Order: The Spoils of Peace* (Oxford: Oxford University Press, 2001); and Evelyn Goh, *The Struggle for Order: Hegemony, Hierarchy, and Transition in Post-Cold War East Asia* (Oxford: Oxford University Press, 2013).

5 Michael Mastanduno, "System Maker and Privilege Taker: US Power and the International Political Economy," *World Politics*, Vol. 60, No. 1 (2009), pp. 121-154; Steve Chan, *Looking for Balance: China, the United States and Power Balancing in East Asia* (Stanford, CA: Stanford University Press, 2012).

6 Michael Mastanduno, "Order and Change in World Politics: The Financial Crisis and the Breakdown of the US-China Grand Bargain," in G. John Ikenberry, ed., *Power, Order and Change in World Politics* (Cambridge: Cambridge University Press, 2014), pp. 162-191.

7 Thomas J. Christensen, "China, the US-Japan Alliance, and the Security Dilemma in East Asia," *International Security*, Vol. 23, No. 4 (1999), pp. 49-80, at p. 50; Hugh White, "Why War in Asia Remains Thinkable," *Survival*, Vol. 50, No. 6 (2008), pp. 85-104.

8 For a fuller explanation of this shift, and of Sino-Japanese normative tensions in it, see Goh, *Struggle for Order*, Chapter 5.

9 Amy King, "Where does Japan fit in China's 'new type of great power relations'?" *The Asan Forum*, March 24, 2014.

10 Yan Xuetong, "From Kepping a Low Profile to Striving for Achievement," *Chinese Journal of International Politics*, Vol. 7, No. 2 (2014), pp. 153-184, at p. 170.

11 Adam P. Liff and G. John Ikenberry, "Racing toward Tragedy? China's Rise, Military Competition in the Asia Pacific, and the Security Dilemma," *International Security*, Vol. 39, No. 2 (Fall 2014), pp. 52-91.

12 See Richard C. Bush, *At Cross Purposes: U.S.-Taiwan Relations since 1942* (Armonk: M.E. Sharpe, 2004); Nancy Bernkopf Tucker, *Strait Talk: United States-Taiwan Relations and the Crisis with China* (Cambridge, MA: Harvard University Press, 2009).

13 Jia Qingguo and Alan D. Romberg, "Taiwan and Tibet," in Nina Hachigian, ed., *Debating China: The U.S.-China Relationship in Ten Conversations* (New York: Oxford University Press, 2014), pp. 176-197.

14 *Ibid.*, p. 181. On this "paradigm of persuasion" adopted by the Ma administration after 2008, see Richard C. Bush, *Unchartered Strait: The Future of China-Taiwan Relations* (Washington DC: Brookings Institution Press, 2013).

15 Pan Fei, "Zhongmei zai yatai diqu de zhanlue hudong yu Obama zhengfu de duitai zhengce," [Sino-American strategic interaction in the Asia-Pacific and the Obama Administration's Taiwan policy] *Taihai Yanjiu [Taiwan Straits Studies]* (February 2015), pp. 76-84; Robert Sutter, "Taiwan's Future: Narrowing Straits," National Bureau of Asian Research Analysis, May 2011.

16 There is a deeper problem here in the tendency to objectify actors and political entities in the region, to the extent

that would support assumptions that issues, territories and peoples may be horse-traded. This problem is echoed in other suggestions, for example, that the US might cut a bargain with China by "forswearing any intervention in a Sino-Japanese conflict over the [Senkaku] islands, in return for Chinese commitments to work on a legally binding code of conduct for the South China Sea dispute, or increased efforts to get North Korea to reduce or even eradicate its nuclear arsenal" (William Choong, "The Ties that Divide: History, Honour and Territory in Sino-Japanese Relations," *Adelphi* 445, London: IISS, 2014).

17 Wu Xinbo and Michael Green, "Regional Security Roles and Challenges," in Hachigian, ed., *Debating China*, pp. 198-220, at p. 202.

18 Institute of International Relations, Shanghai Academy of Social Sciences, "Zhongmei xinxing daguo guanxi jianshe: zhanlue renshi yu lujing xuanze," [New type of great power relations between the US and China: understanding strategy and future choices] *Guoji Guanxi Yanjiu* [Journal of International Relations], No. 6 (2014), pp. 12-36, at pp. 18-19.

19 Yinhong Shi, "The United States, East Asia, and Chinese 'Triumphalism'," in Yong Wook Lee and Key-young San, eds., *China's Rise and Regional Integration in East Asia* (Abingdon: Routledge, 2014), pp. 40-53, at p. 48.

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