
Hegemonic Stability and Northeast Asia: What Hegemon? What Stability?*

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Abstract: *Northeast Asia has traditionally been a region rife with historical and political conflicts that display characteristics that seem to follow a path of development different from other regions. As one goes through the massive inventory of international relations theory, it is still uneasy to find an explanation that befits developments in the region. This paper examines the hegemonic stability and evaluates its effectiveness in explaining developments in Northeast Asia, particularly the rise of China. In addition, this paper seeks to test the hegemonic stability theory by re-addressing US role in the region and challenges to the regional status quo.*

Keywords: Hegemonic Stability Theory, US, China, Northeast Asia, Power

1 Introduction

US emergence onto the world stage as a “superpower” with leading political, economic, military and cultural capabilities has brought about the discussion of “hegemony,” a term denoting a situation with one dominant power. After the terrorist attack of 9/11, the lone superpower seemed in danger, along with the global system set in the value of liberal capitalism; terrorism coupled with modern technology has become a dominating state challenge in the new century. Succeeding debacle of the Iraq War (2003-2010) and the continuing fight against terrorism (2001-) have encouraged suspicions on the US ability to hold on to the reign of global leadership. China’s rapid economic rise, emergence of BRIC countries¹ and the recent economic depression (2008) have

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¹ Brazil, Russia, India and China (BRIC)

all contributed to doubts on US prowess to persist as the world's most prosperous economy. IR theories such as power transition add to the insecurity of the fast changing international environment by raising questions about the behaviour of rising powers, which unavoidably support conclusions of "China threat." Regardless of Nau's (1985) argument that "domesticist" tendency in US policymaking is the root of global troubles rather than the decline of American hegemonic power, the above developments call forth a reappraisal of US hegemonic power.

In the context of transformations brought by globalization, declining US and rising China, this essay seeks to test the theory of hegemonic stability in Northeast Asia. With the Korean peninsula as its strategic pivot, it is the one and only international region or subregion where the world's four major powers – China, Japan, Russia and the US – uneasily meet and interact and where their respective interests coalesce, compete, or clash in a situation-specific way (Kim, 2004: 5). Based on comparison of the hard facts between the two powers, this essay addresses the question of regional stability and its implications for Northeast Asia. The purpose of this exercise is to ponder the applicability of the hegemonic stability theory today.

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2. Hegemonic Stability Theory: What Does it Say?

The hegemonic stability theory is first proposed by economist Charles Kindleberger after an examination into the history of the Great Depression. The state is considered as a rational and selfish actor in search of the greatest achievement of national interest. In an anarchic system where states are assumed to pursue self interest, the situation may give rise to bandwagoning. Kindleberger (1973; 1981) suggests that the leading state must provide public goods in order to maintain stability in the international arena. Maintenance of a liberal international economic order requires the long term support and leadership of a hegemonic power and the power must possess economic, political and military capabilities to control the arrangement of international political and economic norms (Kindleberger, 1973; 1981).

Robert Keohane develops Kindleberger's theory by explaining the relationship between a hegemonic state's economy and the international trade system with the theory. The hegemonic state not only can abrogate existing rules or prevent the adoption of rules that it opposes but can also play the dominant role in constructing new rules (Bergsten et. al., 1975: 14). In Keohane's (1984: 32) words, the hegemon "must have control over raw materials, control over sources of capital, control over markets and competitive advantages in the production of highly valued goods." The hegemon is provided with the means of leadership over other economies through control of financial capital, particular technologies and natural resources (Gilpin, 1987: 76). For Keohane (1980: 132), hegemonic stability theory "holds that hegemonic structures of power, dominated by a single country, are most conducive to the development of strong international regimes whose rules are relatively precise and well obeyed.....the decline of hegemonic structures of power can be expected to presage a decline in the strength and corresponding international economic regimes."

In contrast to Keohane's liberalist view on hegemony, Robert Gilpin offers a realist theory of hegemony. For Gilpin, the existence of a liberal economic state in a hegemonic position is a necessary condition for the continued development of

international market economy. The consolidation, maintenance and successful functioning of liberal international economy require political leadership. In other words, the international political economic framework led by the hegemonic state is the key pillar of international order and the world economy. A hegemonic state capable and willing to maintain international order provides public goods that consolidate international political stability. In a unipolar system, the hegemon's offer to maintain order, a public good, dissuades other states in the system to challenge and overthrow the hegemon. Absence of challengers consolidates the hegemon's position and stabilizes the system. Chaos and instability ensue with the hegemon's decline in power. In short, as long as states gain and benefit in the hegemonic system, there is no reason to overturn the status quo.

3. China and US Power Compared: Who is the Hegemon in East Asia?

Despite the lack of a widely accepted definition of "hegemony," it is clear from nearly all the descriptions of scholars and observers that hegemonic leadership since the end of the Cold War refers to the United States. Keohane's emphasis on control over raw materials, sources of capital, markets and competitive advantages in the production of highly valued goods may provide a more concrete definition to the term, but the meaning of hegemon has expanded to include influences besides economic concerns with the blurring of the line between high and low politics. Although economic power may be the foundation for all other influences in the age of globalization, leadership has extended to military capability and soft power in measuring comprehensive power and defining a true hegemon. Japan is an example of a state with great economic power but nominal military and political influences.

Economic Power

Adjusted for purchasing power, China stands as the second largest economy in the world after the US with USD 9.872

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trillion in GDP (2010).¹China's total export has grown from USD 1,400 million in 2005 to over USD 1,500 million in 2010. According the United Nation's Conference on Trade and Development (UNCTAD) 2005 report on world investment, China has remained as the in incoming foreign investment among developing countries and more than 400 of the 500 biggest transnational corporations in the world today have already entered China (Naisbitt and Naisbitt, 2010). China has accumulated over USD 100 million in trade surplus, which has great implications for the global trade structure made China the top holder of foreign reserve.

Despite economic slowdown caused by the subprime mortgage crisis in 2008, the US remains alongside the European Union as the largest economy in the world with USD 14.72 trillion in GDP (2010).² The US has the largest and most technologically powerful economy in the world, with a per capita GDP of USD 47,400, trailing Singapore, Norway, Luxembourg, Liechtenstein, Bermuda, Jersey and resource rich states such as Qatar, Kuwait and Brunei (China ranks 127th in per capita GDP according to CIA calculation, at USD 7,400. Of course, a factor to consider is that China has a much greater population).³ The dollar remains as the dominant currency in the world and the US continues to be the biggest import market for goods. In addition, leadership in the World Trade Organization, the International Monetary Fund and the World Bank endows the US with economic leverage not quantifiable in numbers.

Military Capability

An aspect of concern in China's rising economic power is how the country will use its new found influence. With an authoritarian regime still intact, the People's Liberation Army continues to exert strong influence in the decision making

¹ CIA, The World Factbook (China), <http://www.cia.gov/library/publications/the-world-factbook/geos/ch.html> (accessed March 3, 2011)

² CIA, The World Factbook (United States), <https://www.cia.gov/library/publications/the-world-factbook/geos/us.html> (accessed March 5, 2011)

³ Ibid.

process of the PRC.¹ Moreover, China holds on to immovable positions on territorial issues that are deemed as its “core interests” (*he xin li yi*) such as independence movements in Taiwan, Tibet, Xinjiang and disputes in the South China Sea. China has demonstrated its rigid stance by making strong military gestures accordingly, therefore the world remains watchful on progress in China’s military capability. In particular, with the term of China’s fourth generation leadership coming to an end in the near future, the possibility of a stronger PLA remains, as the next generation decreases in authority and charisma over the military. China belongs to the nuclear group and announces its official defense budget USD 77.9 billion in 2010 (adjusted for purchasing power).² Growing military budget is a notable trend in China’s rise in power, with defense spending growing approximately 40% from 2000 – 2008.

In contrast to China, the US remains the world leader in military spending at approximately USD 700 billion per year (2010).³ According to the estimates of the International Institute for Strategic Studies (2010: 468), US defense budget constitutes almost half of aggregate global military spending (45% in 2008). China’s military budget, at official exchange rates, is one-seventh that of the US but on a more appropriate purchasing power parity (PPP) basis, China’s military expenditure is nearly two thirds that of the US.⁴ On the other hand, despite military difficulties in the war on terrorism in Afghanistan and the second Iraq War, the US remains the only power to have large number of troops stationed across regions at the same time. Perhaps a

¹ For a peek into the functioning of the PRC government, see Susan Shirk, *Fragile Superpower* (New York: Oxford University Press, 2007).

² “GlobalSecurity.org: China’s Defense Budget,” <http://www.globalsecurity.org/military/world/china/budget.htm>

³ The US request in February 2011 was \$553 billion for the 2012 “base” budget, up 4.2 percent from 2011, plus an additional \$118 billion to fund military operations in Iraq and Afghanistan, for a total of \$671 billion. Ibid. Also see Michael O’Hanlon, “Defense Budgets and American Power,” Brookings Institution Policy Paper No.24 (December 2010), http://www.brookings.edu/~media/Files/rc/papers/2010/12_defense_budget_ohanlon/12_defense_budget_ohanlon.pdf

⁴ “GlobalSecurity.org: China’s Defense Budget,” *op. cit.*

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consequence of being the “world police,” the stationing of troops demonstrates US leadership in traditional military capability.

Soft Power

With rising comprehensive power, China’s soft influence has increased as well. Observers have argued that the rise of China is not simply an expansion of hard power but also accompanied by tremendous efforts to develop soft power (Huang and Ding, 2006: 23). In a provocative work, Joshua Kurlantzick (2007) describes how China expresses global influence through soft power and points out the demand for US response to the phenomenon. The root of China’s rising soft power may be traced back to the Asian Financial Crisis, when China gained international acclaim for stabilizing its currency to the benefit of Southeast Asia. Coupled with later pronouncements of “peaceful development” (*he ping fa zhan*) and “harmonious world” (*he xie shi jie*), China has expended massive effort in constructing a regional image in its favour and countering the claim of threat.

In 2007, CCP leader Hu Jintao proclaims in his address to the 17th Communist Party Congress that China must “enhance culture as part of the soft power of our country...a factor of growing significance in the competition in overall national strength.”¹ Concrete evidence of China’s expanding soft power can be seen in the learning fever for Chinese known as “zhong guo re” and the continuing expansion of state sponsored Chinese learning centers across the world.

According to the Office of Chinese Language Council International (*han ban*), the official department in charge of the promotion of Chinese learning abroad, as of 2010, 322 Confucius Institute and 369 Confucius Classrooms have been established across the world, spanning 87 countries and regions.² Besides the export of language teaching,

¹ “hu jin tao zai dang de shi qi da shang de bao gao,” (Hu Jintao’s Report at the 17th Communist Party Congress), http://news.xinhuanet.com/newscenter/2007-10/24/content_6938568_6.htm

² Hanban, “guan yu kong zhi xue yuan ke tang,” (About Confucius Institute and Classroom), http://www.hanban.org/confuciousinstitutes/node_10961.htm

China's performance in sporting events has also garnered wide attention in recent years. Not only did China attract international spotlight with the holding of the Olympic Games in Beijing in 2008, China finished first in medal standing with 51 gold plates in total despite ranking second in the total number of medals received.

In contrast to China, US cultural appeal is demonstrated in entertainment, sport, education and political values. The number of Hollywood productions continues to dominate the international film industry and attract huge fanfare while the National Basketball Association (NBA) and Major League Baseball (MLB) continue to be the prime model of sport organizations. In the Beijing Olympics, the US finished second in medal standing with 36 gold medals but first in the total number of medals received with 100; the Dream Team dominated the basketball event. In terms of higher education, the US holds a dominating lead with 68% of the top 50 universities in the world located in the country, according to evaluation by the Times Higher Education Supplement.¹ In terms of political values, despite the fact that democratic values is under challenge with the change of atmosphere after the Cold War, democracy has become an accepted standard for state observers. The US still boasts itself as the longest running democracy, for good or worse. According to Freedom House rating, the US continues to be among the freest countries in the world while China continues to be among the most tightly controlled.

4. Testing Hegemonic Stability in Northeast Asia: Where is Stability?

Regarding the issue of stable order in Northeast Asia, a simple definition of stability should be provided. Instability in Northeast Asia revolves around five hot points, namely North Korea's nuclear development, inter-Korean relations, Cross-Strait relations and Sino-Japanese relations, with

(accessed March 6, 2011)

¹ Another leading university ranking index is conducted by Shanghai Jiao Tong University. The US still leads with 42% of the top 50 universities. See Fareed Zakaria, *The Post-American World* (New York: Norton, 2008), ch.6.

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Sino-US relations as the main undercurrent of regional order. With the US holding on to vested interest in Northeast Asia, the region continues to be under the shadow of historical tensions two decades after the end of the Cold War. A short review reveals that the US continues to have an important balancing role in the region.

US and Regional Security in Northeast Asia

US strategy in Asia is summarized by former Secretary of State James Baker (1991) as the “fan out” strategy, describing the bilateral nature of US foreign relations with friendly states in the region such as Japan, South Korea and Taiwan, as opposed to the group nature of the North Atlantic Alliance (NATO). With troops stationed in Japan and South Korea, the US continues to have a strong military presence in Northeast Asia. It is often forgotten with time passing that the original intent of the alliances is to provide military support to allies that are under the immediate threat of communism. With authoritarian regimes remaining intact in China and North Korea, US presence remains in Northeast Asia, calling forth images of Cold War Asia. As recent as 2000, China’s military demonstration in response to provocations of independence across the Taiwan Strait has garnered heavy attention from the US. The Cheonan ship sinking incident in the Yellow Sea (2010) and rumours of leadership change in North Korea has the US on watch over developments in the region.¹

It is clear that the US has a strong interest of maintaining order in Northeast Asia. As long as regional conflicts remain unsolved and worries over China’s rise continue to dominate policy discussions, US regional presence would remain. From the angle of US allies, US military presence as a result of its regional strategy provides the public good of support against authoritarian regimes such as China and North Korea. Regardless of historical antagonisms between Korea and Japan, both states would be greatly affected by sudden

¹ For an analysis on the Cheonan incident, see Rajaram Panda, “Cheonan Sinking: Implications for Peace in Northeast Asia,” *Mainstream*, Vol.48, No.23 (May 29, 2010), <http://www.mainstreamweekly.net/article2094.html> (accessed March 6, 2011)

change in US strategy, causing both states to reluctantly agree to the lowest common denominator of US presence. Rising tensions in the region often generate the tightening of military relations between US-ROK and US-Japan, evident in the revision of the US-Japan security treaty after China's missile demonstration in 1996 and the US-ROK joint condemnation of North Korea in the immediate aftermath of the Cheonan incident. Meanwhile, military sales to Taiwan have continued in light of improving relations across the Strait.

In light of the hegemonic stability theory, the US fulfills two principles: (1) regardless of the debate in capabilities, the US continues to have the capability and will to uphold regional security and order in Northeast Asia; (2) US military presence provides a public good for regional allies by deterring military aggression from China or North Korea.

China and Regional Order in Northeast Asia

Using the five regional hot points mentioned above as the working definition of stability, China seems to agree with its US counterpart on the maintenance of order in Northeast Asia but the Chinese approach to the issue is different. Compared to the US, it is important to point out that China is an immediate player concerned in changes to bilateral relations in Northeast Asia, not only due to its geographic location but also as an interested party in the relationships. Many studies fail to address the obvious geopolitical factor in China's serious and uncompromising stance regarding regional security. China's national interest is immediately threatened by the outbreak of conflicts due to the possibility of spillover effects and externalities,¹ which may potentially initiate the US alliance system and lead to a spinoff crisis.²

¹ Worst case scenarios include: collapse of North Korea, generating destabilizing refugee movement across China's northeastern border; war on the Korean peninsula escalating into an all out nuclear war, which forces the US and Japan to take action in support of South Korea; island disputes in the East Sea such as the Senkyaku Island and Okinotorishima tipping off regional conflicts; Taiwan's independence movement forcing China to take action, which may in turn bring China into a headlong clash with the US.

² Spinoff crisis refers to the phenomenon that nations are involved in a war or

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In terms of regional security, China has as much interest as the US in maintaining stability in Northeast Asia, if not greater. Ironically, China's authoritarian nature has caused the PLA to be regarded as a visible threat to regional security in contrast to the paternal image of US military presence. The Tiananmen incident and successive military gestures regarding succession movements and territorial issues have deepened the authoritarian image to the detriment of China's connection with the international community. In this regard, China's rising capabilities can only be a challenge to regional security, a claim paradoxical to China's interest in maintaining regional order and supportive of claims such as China's intent to the historical glory of regional hegemony and revise international order due to discontent of the status quo (Bernstein and Munro, 1998). In the case of China, one can wonder what public good the state can provide in order to apply the hegemonic stability theory.

In light of theory, a controversial case may be made that China's internal stability is itself the dominating factor in regional security and the public good that may be provided to neighbouring countries. At least one observer has boldly predicted the collapse of China (Chang, 2001). Power transition theorists point out that a system is most unstable when the distribution of power changes but do not state further of the potential consequences (Lemke and Tammen, 2003; Kugler and Tammen, 2004). Regarding China, the state under close examination, most threat theory advocates merely warn of the danger of China's collapse and suggest how other states should respond; rarely do observers suggest how regional security should be maintained if China should suddenly break up. In other words, most discussions magnify China's ambition and dwell on the issue of defense against China, instead of pondering over how China should uphold internal stability, a task left for the Chinese themselves. As a rising power with massive population, China threat may come from within rather than demonstrated without.

crisis with another nation or nations and the situation precipitates another crisis. See Richard Lebow, *Between Peace and War: The Nature of International Crisis* (Baltimore: John Hopkins University Press, 1981).

When discussing hegemony, rarely does the hegemonic state's capability and stability come into question. At the intersection of political economy, even as the US is shocked by domestic economic recession, regional expectations for US military presence remain stable, especially in Northeast Asia. In contrast, despite great power potential, China has yet to fully develop into a hegemonic state as defined by theory and the state's authoritarian nature makes the regime's future unpredictable in the age of information exchange. China's proximity to a region rife with historical, political and ethnic tensions divert energy away from national development and puts the state in a different setting if it is to strive for hegemonic status. Geopolitics is an important consideration in the case of China, a factor not as prominent in the case of the sea sheltered US.

In terms of the hegemonic stability theory, China's case remains curious: (1) China is willing to maintain regional order but the weight of the task may be a serious test to its capabilities; (2) as an important factor in regional security, China's domestic stability benefits all states in the region by maintaining the status quo, though the status quo may be disputable.

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5. Conclusion: Is Hegemonic Stability Still Applicable?

This paper's attempt to apply the hegemonic stability theory in Northeast Asia highlights the important fact that caution must be taken in defining the key terms of a concept. In such loosely defined concept as "hegemonic stability," it is critical to clearly define the characteristics of hegemony and stability and expressions that denote or symbolize power. As power is an elusive concept in itself, discussion that focuses on the hegemonic state, the most dominant power in a system, must be limited to the extent that comprehensive power can be quantified and compared. Political values and cultural influences are important sources of power in the age of globalization that cannot be easily calculated and compared.

This paper has chosen the US and China to test the hegemonic stability theory, as the two states are the most capable powers defining the current international system. The theory remains applicable in the case of US security architecture in Northeast Asia, as traditional diplomatic allies still rely on US military presence in the region to deter aggression from potential belligerents. On the other hand, China reluctantly fits the principles of hegemonic stability only if one accepts the fact that the fast changing situation in Northeast Asia is manageable for China and domestic stability may in fact be a public good under special circumstances. As China is still undergoing rapid economic development, internal stability remains an important factor in the maintenance of regional security. In the end, this study suggests that the US is still the dominant state upholding regional order while China is at best a key factor in regional stability and remains a tough bet for other states in maintaining security.

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