

# 12

---

## MANAGING UNCERTAINTY: FORMULATING A U.S. GRAND STRATEGY FOR CHINA

*Christopher E. Schildt*

This paper posits that in the face of uncertainty over China's rise to power, traditional realist and liberal theories of international relations are impractical for formulating U.S. policy. Instead, this paper outlines a new way of thinking about international order and then uses a game theory model to analyze U.S.-Sino relations in light of this new framework. The model finds that a mixed strategy equilibrium exists whereby the United States pursues both competitive and cooperative policies toward China. This U.S. policy of "guarded engagement" could induce Beijing to cooperate but leaves the United States prepared for conflict if it does not.

### INTRODUCTION

China's rising power presents a serious challenge to the international relations discipline. In both Washington and Beijing, policy makers are watchful of the other nation's policies and are looking to international relations scholars for guidance. The advice an academic can offer differs drastically, however, based on the school of thought to which one belongs. The right advice could peacefully integrate China into the international community; the wrong advice could lead to war.

On one hand, realists generally believe that states are the principal actors in international relations and that they exist in anarchy, or the absence of a central authority able to impose order on the system (Lynn-Jones and Miller 1995). States therefore tend to utilize the threat or use of force to

---

*Christopher E. Schildt is a Master of Public Affairs candidate at the Woodrow Wilson School of Public and International Affairs, Princeton University (christopher.schildt@aya.yale.edu).*

ensure their power and security (Lynn-Jones and Miller 1995). Realists argue that China's rise poses a direct security threat to the United States, and Washington should therefore take steps to contain Beijing.

Liberals contend, on the other hand, that individual rather than states' rights are the foundation of international order and that the spread of democracy and cooperative institutions will lead to world peace. Liberals therefore view the spread of multilateral institutions as a check on the misuse of Chinese power and advocate cooperating with Beijing through these institutions.

Some scholars and policy makers view China's rise as a return to the bipolarity that existed during the Cold War, when two superpowers dominated international affairs. China, however, is at present unlike the former Soviet Union and therefore requires new strategic thinking. Whereas Moscow after World War II had an expansionist, ideological agenda, thereby posing a direct threat to the West, Beijing has remained for the most part inwardly focused. China's peaceful rise thus far makes it difficult for U.S. policy makers to advocate a strictly realist or competitive strategy. U.S. allies in the region are increasingly dependent on Chinese trade and investment, making it unlikely that they would join Washington in balancing against China absent an aggressive move by Beijing. In fact, given the United States' unrivaled international power since the end of the Cold War, many states have called for a restoration of multipolarity, whereby Washington would compete for influence with rival powers. These same states also believe that the United States is paranoid about China because it fears losing its current status as the world's sole superpower.

How then can U.S. policy makers cope with the uncertainty over China's rise? The continuing debate between realists and liberals is interesting from an academic perspective but impractical for formulating policy. This paper will add to the ongoing debate over China in two ways. First, it will examine the three existing categories of international order—two of which are derived from realist and one from liberal theory—and outline a new hybrid order combining all three. Second, it will use game theory to examine U.S.-Sino relations through the lens of this hybrid order and formulate a practical model for U.S. grand strategy toward China. In conclusion, the paper will argue that given the ambiguity of China's strategic thinking and the grave consequences of miscalculation, the United States should pursue a mix of competitive and cooperative strategies toward China with the objective of causing Beijing to cooperate but leaving the United States prepared for conflict if it does not.

## DOMESTIC INSIGHTS INTO A NEW INTERNATIONAL ORDER

A country's foreign policy strategy depends upon its perception of the structure of the international system as a whole. Realism and liberalism offer general theories that provide ways of thinking about international relations; they do not by themselves provide a concrete structure for interactions between states. Instead, the two schools have produced three principal types of international order. First, *balance of power* is a realist concept where anarchy leads states to "join alliances to protect themselves from states or coalitions whose superior resources could pose a threat" (Walt 1987, 96). "Specifically, [states] look for opportunities to alter the balance of power by acquiring additional increments of power at the expense of potential rivals" (Mearsheimer 2001, 53). The second realist order is *hegemony*, whereby "a state is so powerful that it dominates all the other states in the system" and is capable, therefore, of shaping international relations (Mearsheimer 2001, 56). Third, and finally, liberalism has produced *constitutionalism*, which is a "political order organized around agreed-upon legal and political institutions that operate to allocate rights and limit the exercise of power" (Ikenberry 2001, 29).

Each of these orders taken alone has its own problems. Balance of power dismisses the ability of institutions to influence state actions, which clearly cannot explain the post-1945 order, which has given rise to several key multilateral institutions including the European Union (EU), International Monetary Fund (IMF), World Bank, and World Trade Organization (WTO). A hegemonic order is likely to dissolve when the relative power of the leading state diminishes. "Some states ... may concert to challenge the superior one, and when leading states decline, other states rise to challenge them" (Waltz 1993, 74). Finally, the stability of a constitutional order is "much more uncertain and problematic [because] limits on power are never clear-cut, absolute, or fully guaranteed in relations between states" (Ikenberry 2001, 29).

The description by several scholars of the international system in terms exclusively of one or other of these orders, intensifies the debate between realists and liberals since to agree with one theory is seen as to necessarily preclude the other. While realists do not generally agree to a role for international institutions in achieving global stability, liberals tend to refute the claim that states are strictly concerned with power and believe that increased institutionalization, democratization, and economic integration are what contribute, predominantly, to the achievement of peace.

The three orders need not, however, be seen as mutually exclusive. Hegemonic stability theory notes that a leading state can use its power to liberalize the world economy and foster multilateral institutions and, in the process, advance its own political and economic interests (Gilpin 2002). Moreover, even as there is increasing international cooperation and interdependence, realist power dynamics will continue to influence international relations. “Threats, bluffs, warnings, the mobilization of resources for future conflicts, intense diplomatic negotiations, and shifting patterns of working with and against others all will remain” (Jervis 2002, 410). Drawing a parallel to Machiavelli’s domestic political analysis, this paper suggests that a fourth, hybrid, order exists—one that combines balance of power, hegemony, and constitutionalism. Rather than characterizing changes in international relations as a move towards any one particular order, this paper proposes that the current rise in institutional cooperation is a shift within the same order. Importantly, this distinction can be used to provide a better response to realists who would object to abandoning their model of international relations merely because the half-century following World War II has seen greater international cooperation.

The question remains: How do domestic politics influence a theory of international order? “Both realms of politics—domestic and international—face similar problems in the creation and maintenance of order, and the solutions that emerge are often different but sometimes similar” (Ikenberry 2001, 21). In *The Discourses*, Machiavelli identified six forms of domestic governments—three good forms and three bad ones—and argued that all were unsatisfactory. Each good form of government—principality, aristocracy, and democracy—is unstable and likely to devolve into the corresponding bad form of government—tyranny, oligarchy, and anarchy. Machiavelli argued that combining elements from each into one hybrid order—the republic—would be superior.

Prudent legislators, aware of their defects, refrained from adopting as such any one of these forms, and chose instead one that shared in them all, since they thought such a government would be stronger and more stable, for if in one and the same state there was principality, aristocracy, and democracy each would keep watch over the other (Machiavelli 1985, 109).

Machiavelli’s articulation of the strengths of republican government can help to create an equally resilient international order. First, in such a hybrid international order, a benign hegemon with the power to ensure security can permit other states to concentrate on building cooperative international institutions. Consider, for example, European integration

during the Cold War. Balance of power theory would have predicted that the Europeans would formulate a united security policy to contain the Soviet Union, but instead they concentrated on European integration. “Europe’s evolution to its present state occurred under the mantle of the U.S. security guarantee and could not have occurred without it” (Kagan 2002). American hegemony was sufficient to prevent Europe from back-sliding into an anarchy where individual European states would have had to employ their resources to counter perceived threats.

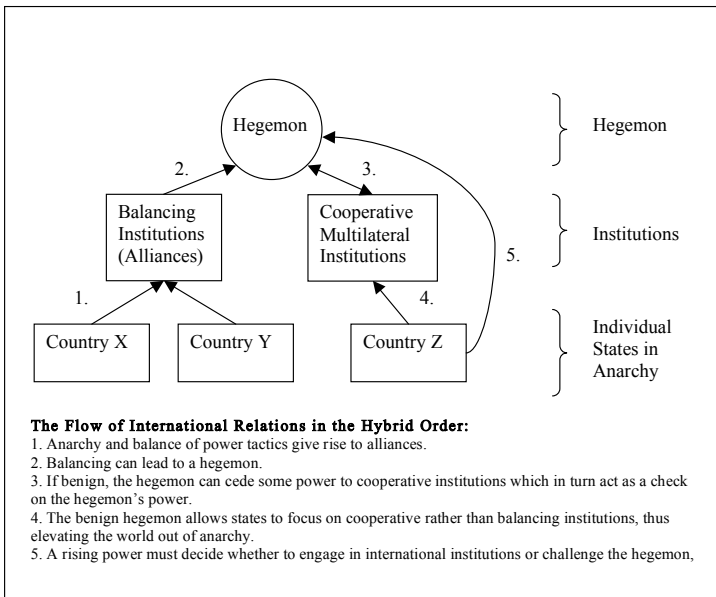
Second, a benign hegemon must be able and willing to restrain some of its power. The rise of multilateral institutions creates a check on the hegemon by altering the payoffs of power politics. This restraint on power then reduces concerns among weaker states that the hegemon will act aggressively but still allows the hegemon to be the guarantor of international stability. “It is precisely because institutions can in various ways bind (particularly, democratic) states together, constrain state actions, and create complicated and demanding political processes that participating states can overcome worries about the arbitrary and untoward exercise of power” (Ikenberry 2001, 35).

All three established international orders coexist in this one hybrid order: the benign hegemon ensures international stability, which in turn gives rise to constitutional institutions and also elevates the world above anarchic balance of power politics (see Figure 1). Interactions between states will accordingly depend on their (indeterminate) location within the hybrid order.

This hybrid order bridges the realist and liberal conceptions of order because strategies of both theories are valid options in the model. States will consciously decide whether to compete or cooperate with each other. Competition refers to the broad range of realist tactics, including balance of power, containment, and the threat or use of force. A state’s decision as to which strategy to pursue is determined, then, by cost-benefit analyses and will vary depending on the situation. If a state believes it can cooperate peacefully with another state or region, then it probably will do so; take, for example, U.S.-European relations today. If a state feels, conversely, that it must resort to unilateral force to defend its interests, then it is free to do so. Mostly recently, this was exemplified by the U.S. decision to act against the UN Security Council in invading Iraq; it should be observed, however, that even this action has not precluded Washington from cooperating with the EU and UN in other areas.

While some realists may argue that this hybrid order is weak because it concedes an undue importance to institutions in their influence over

Figure 1: The Hybrid Order



sovereign state decisions, realism does not dismiss institutions outright. It is important, here, to distinguish “anarchy” from a “balance of power.” Where “anarchy” pits states against each other in a lawless world, with each vying to defend its own interests, a “balance of power” is informed instead by the rise of alliances dependent on cooperation between states. What, then, is the difference between an international institution such as the WTO, where states cooperate in pursuit of common economic goals, and an alliance in which states cooperate in pursuit of common security goals? It is difficult to argue that one institution can influence international relations while others cannot.

## THE HYBRID ORDER AND INTERNATIONAL STABILITY

Can this hybrid order achieve a stable outcome better than anarchy? The hybrid order, along with purely liberal arguments, provides for greater checks on power and incentives to avoid conflict. Rather than automatically pursuing power politics, as realists would expect, states, in a multilateral world, will weigh the costs and benefits of conflict. As states become increasingly involved in international institutions, the cost of conflict also increases. For example, a decision to raise tariffs incurs different costs depending on whether that country is a member of the WTO. Similarly, a decision to attack another country will be influenced by the alliances of each country.

This does not imply, however, that increased interdependence will lead to inevitable peace, as some liberals argue—it only means that the probability of peace will increase as states become more interdependent; war, however, will always remain possible.

This hybrid order admittedly loses the simplistic predictability of realism and liberalism. Rather than expecting states to coalesce in countering threats or predicting that democracies will not go to war with each other, the hybrid order says that each state will examine the costs and benefits of cooperating with, *vis-à-vis* balancing against, another state. While less predictive, this is a more pragmatic approach. The complexity of the hybrid order is, however, not beyond the scope of the analytic tools available to social scientists. Identifying where states fall within the order can help determine whether a realist or liberal strategy is more applicable. In cases where the states' relationship is uncertain, scholars can use game theory to calculate the costs and benefits and determine which strategy a state should or is likely to pursue.

One dilemma that the hybrid order presents is that while it takes two states to decide to cooperate, it takes only one to compete to return to anarchic power politics. States are likely to find themselves in a prisoner's dilemma—a better outcome could be achieved if they all decided to cooperate, but a decision by a deviant state to compete could reduce the benefits of institutional cooperation for the rest of the world. This difficulty of achieving multilateral cooperation may explain why most of history has witnessed balance of power politics and why realism remains an influential theory of international relations.

This prisoner's dilemma has important implications for analyzing China. Does Beijing cooperate in multilateral institutions (many created by the West), or does it, when it has amassed sufficient power, try to compete with the United States in the hope of becoming the world's next hegemon? This paper will now briefly assess the major realist and liberal theories regarding China's rise before using game theory and the hybrid model of international order to derive a more practical strategy for dealing with Beijing.

## CHINA AS A THREAT: THE REALIST APPROACH

Most classical realists have a straightforward expectation for China's growing international standing: "China cannot rise peacefully" (Mearsheimer and Brzezinski 2005). John Mearsheimer predicts that Beijing and Washington will engage in "intense security competition with considerable potential for war" and that Beijing will seek to become a regional hegemon to ensure its

own survival and also advance its interests on the world stage (Mearsheimer and Brzezinski 2005). The United States is unlikely to accept the erosion of its influence in Asia and will accordingly seek to contain China, just as it did in the Cold War against the Soviet Union. This strategic rivalry increases the chances of war between the two countries.

While realists may be right about the threat posed by China, their prescription for U.S. policy is wrong. The main problem with realist or competitive strategies is that they are most likely self-fulfilling; if the United States treats China as a threat, Beijing will likely be compelled to respond in kind. Washington currently is disadvantaged when dealing with China. Unlike the circumstances of the Cold War, when the West agreed that the Soviet Union was a threat, other countries now are not as likely to join the United States in acting against China. First, many countries, especially those in Asia, have too much at stake economically to jeopardize their relations with Beijing to support Washington. Second, it seems that only the United States views China as a potential rival and threat—Australia and many governments in Europe believe that the United States is paranoid about China or is only concerned because Washington does not want to see its unilateral power diminished—a concern that few countries share and a prospect that many welcome. “The external threat of the Cold War is gone, and even if the United States remains predominant, it has lost a critical source of cohesion among the allies” (Ikenberry 2001, 13). The Cold War containment strategy is therefore unlikely to work with China.

## CHINA AS A PARTNER: THE LIBERAL APPROACH

Liberalism predicts Chinese engagement in the existing international institutions rather than its use of military force to promote its economic interests. Responding to Mearsheimer, Zbigniew Brzezinski argues that a confrontational foreign policy would dampen China’s economic growth, which is Beijing’s main priority (Mearsheimer and Brzezinski 2005). Brzezinski also cites nuclear weapons as changing the historical dynamics of power politics, thereby minimizing, if not eliminating, the chance of war between China and the United States (Mearsheimer and Brzezinski 2005).

This liberal argument is also worrisome because it puts too much faith in institutions and downplays the threat of economic competition. According to liberal arguments, the United States should strictly promote international institutions to align China’s foreign policy more closely with the established international order. This argument has been made before. Most infamously, Norman Angell wrote in *The Great Illusion* in



1910 that economic integration made war between the European powers unimaginable; he was proved wrong only four years later. While China may gain economically by abiding by existing international institutions such as the WTO, it is not necessarily the case that Beijing will not act in the future—once it has had time to increase its economic and military power—to challenge international norms or seek to recreate these institutions to more accurately reflect its importance in the world. The most likely area for fierce competition is natural resources. As China's economy continues to expand, it will face energy constraints that could lead to competition with the United States and disputes with its neighbors, such as Japan, over offshore energy deposits. Is it really inconceivable that China might resort to threatening the use of force to acquire needed natural resources just to uphold the international institutions it inherited from the West? Liberalism is willing to risk a lot in terms of U.S. security on that very belief.

## **IMPLICATIONS FOR U.S. POLICY, PART I: THEORY**

This paper has thus far argued that current international relations theories provide little practical guidance to U.S. policy makers. Realist strategy risks being too hard on China and greatly increases the chance of conflict, while a liberal strategy risks being too soft, leaving the United States vulnerable to possible Chinese aggression. The hybrid international order, however, allows states to act both cooperatively and competitively without changing the entire international system. Thus, this paper proposes that Washington can best manage the uncertainty over China's rise by deliberately alternating between realist (competitive) and liberal (cooperative) strategies across economic, political, and military fronts.

Interactions between China and the United States can be modeled as a simultaneous game played repeatedly over time, where each chooses either a competitive or cooperative strategy. In such a game, there will be two pure strategy equilibria: either both compete or both cooperate. These equilibria correspond to the outcomes predicted by realists and liberals, respectively. Because China's moves are unknown, the challenge is to devise a mixed strategy whereby the United States cooperates with enough probability to influence China to cooperate as well but one that leaves the United States prepared if China decides to compete.

The first step in constructing this game is to assign payoffs to each of the different outcomes (see Figure 2). Payoffs to the United States are listed first, followed by payoffs to China. For simplification, each payoff is expressed as a ratio of that outcome to the competitive equilibrium; thus,

for example, if  $\beta$ , the utility to China of mutual cooperation, equals 1.2, then Beijing would expect the cooperative equilibrium to be 20 percent better than the competitive equilibrium. This model accounts for the uncertainty over how Beijing values each outcome by not assigning specific values. Beijing may value competition over cooperation, in which case  $\beta$  would be less than one. Furthermore, the United States and China can value each outcome differently; for instance,  $\beta$  does not have to equal  $\gamma$ , the utility to the United States of mutual cooperation. One key assumption is that neither country will want to cooperate if it knows the other will compete because doing so could leave it unprepared for a conflict; therefore, the payoff to cooperating when the other player competes is zero. In practice, these payoffs could include approximate quantifications of political gains or ideological issues.

**Figure 2: Simultaneous Game Between the United States and China**

		China	
		Compete (1-q)	Cooperate (q)
United States	Compete (1-p)	1, 1 (competitive equilibrium)	$\delta, 0$
	Cooperate (p)	0, $\alpha$	$\gamma, \beta$ (cooperative equilibrium)

An equilibrium mixed strategy exists in which the United States cooperates with sufficient probability  $p^*$ , where  $0 \leq p \leq 1$ , to induce China to cooperate as well. To find  $p^*$ , China’s expected utility (EU) of cooperation must be greater than its expected utility of competing:

$$EU_{\text{China}}(\text{Cooperate}) > EU_{\text{China}}(\text{Compete}) \tag{1}$$

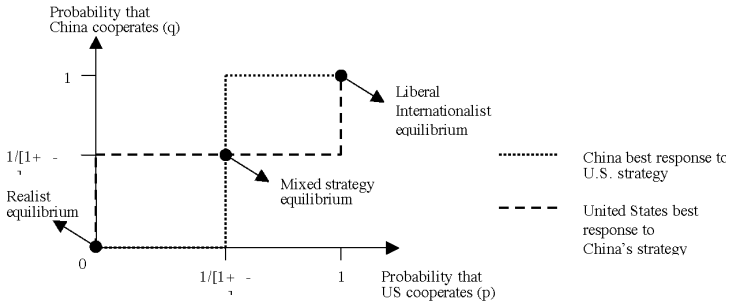
$$p\beta > [(1 - p) + p\alpha] \tag{2}$$

$$p + p\beta - p\alpha > 1 \tag{3}$$

$$p^* > 1/[1 + \beta - \alpha] \tag{4}$$

By symmetry, China’s optimal mixed strategy is  $q^* > 1/[1 + \gamma - \delta]$ . Figure 3 below shows the best response functions of each state with respect to the strategy of the other.

Figure 3: Best Response Functions



Note: This represents the unique cases where  $(\alpha - \beta) > 0$  and  $(\beta - \alpha) > 0$ .

The variables  $\alpha$  and  $\beta$  have important interpretations. First, the probability that the United States must cooperate to induce China to do the same decreases as the relative benefits of cooperation ( $\beta$ ) increase. The United States would benefit by strengthening and broadening multilateral institutions so that they more accurately account for Chinese interests. The United States should also be willing to abide by the rules of these multilateral institutions at least  $p^*$  percent of the time. Second, China is more likely to defect to a competitive strategy as the payoff from such a unilateral decision ( $\alpha$ ) increases. These opposing effects, variable over time, of  $\alpha$  and  $\beta$  on the optimal U.S. mixed strategy further show why the U.S. should randomize between cooperative and competitive strategies. Washington may be able to dissuade Beijing from defecting by competing with probability  $(1-p^*)$ , thus keeping  $\alpha$  low. This mixed strategy equilibrium can be thought of as a “guarded engagement” policy.

This model allows for some margin of error on both sides of the Pacific. If a U.S. administration comes down too hard on Beijing in any one interaction, China is unlikely to switch immediately to a pure competitive strategy; only if the United States consistently competes over multiple interactions will China be likely to exclusively compete. Furthermore, this model does not prescribe a “tit-for-tat” response such that a defection to compete in one period leads the other state to compete in the next. The entire U.S.-Sino relationship is not at stake during each interaction; rather, both sides will strategically randomize how they cooperate and compete on several different fronts—economic, political, and military—depending on the situation.

U.S. policy analysts watching China need to understand that a Chinese decision to compete in any one interaction does not necessarily indicate

a long-term competitive trend nor does it contradict a pattern of cooperation. Instead, Beijing may be pursuing a randomized mixed strategy of competition and cooperation, perhaps to establish a reputation for competing when necessary, to take advantage of interactions where the benefits of competing outweigh the costs, or perhaps because the Chinese leadership itself does not know how it wishes to behave. Analysts should then watch for the frequency with which Beijing competes compared to their estimation of China's mixed strategy,  $q^*$ .

In summary, this model provides a framework for U.S. policy towards China that is flexible and does not require policy makers to choose exclusively between a strictly competitive or cooperative strategy. If realists are correct and China is going to aggressively assert its power (by choosing to compete, or  $q^* = 0$ ), then this policy framework leaves Washington prepared to counter Beijing because the United States will already be competing  $(1-p^*)$  percent of the time. If, however, liberals are correct and China is willing to cooperate, then the United States may forego some of the benefits a pure cooperative strategy would yield, but that is a small price to pay to hedge against the alternative risk.

## IMPLICATIONS FOR U.S. POLICY, PART II: PRACTICAL APPLICATIONS

What are the practical policy implications of this model? Washington should look for opportunities to cooperate with China while still maintaining its ability to deter aggressive action from Beijing by pursuing a policy of "guarded engagement." The model presented above does not advocate any one particular policy; rather, it prescribes a way to mix strategies. One benefit of this mixed strategy equilibrium is that it can adapt to shifts in U.S. thinking toward China which occur with changes in administrations.

Below are five policy recommendations, representing a mix of realist and liberal strategies, which Washington should consider. While the United States has pursued most of these strategies at one time or another, the difference is that in the past these strategies were played by chance—usually because different administrations have come to Washington with different perspectives on China—rather than as the result of a calculated, mixed strategy of competition and cooperation. Since President Carter normalized relations with Beijing in 1978, every administration thereafter has adhered to the basic principles of the U.S. "One China" policy, but with a different attitude toward the Chinese. For example, Reagan felt that Carter sold out Taipei during the normalization process and therefore pressed for arms sales

to Taiwan. Clinton similarly thought George H. W. Bush was too soft on the Chinese and decided to take a tougher stance, including sending two aircraft carrier battle groups to the Taiwan Strait after the mainland test fired missiles near the island in 1996. Finally, George W. Bush initially framed U.S.-Sino relations as being a “strategic competition,” but came to rebuke provocative Taiwanese statements of independence after Beijing became a valuable partner in the global war on terrorism.

The following recommendations are intended to illustrate how policy makers can implement a mix of cooperative and competitive policies; while the specific policy options are open to debate, the objective here is to show how the mixed strategy equilibrium presented in this paper could be implemented over the long-run.

## Competitive policies

- 1. *Maintain constant defense spending.*** A recent RAND study estimated that Chinese military spending in 2025 will equal only 40 percent of current U.S. defense spending. If current trends continue, the United States will easily maintain a military advantage over China with little further action (RAND 2005). A strong U.S. defense capability most likely will continue to deter possible Chinese aggression. Washington should be careful, however, to spend only enough to maintain sufficient military superiority—anything more might prompt a balancing response from Beijing.
- 2. *Reduce the U.S. budget deficit.*** Admittedly, there are many factors at play in the current debate over the U.S. budget deficit, but the flow of U.S. Treasury securities to China is troubling because it could give Beijing leverage over Washington in the event that relations do start to deteriorate. Some scholars contend that the stock of China’s dollar reserves and Treasury securities is troubling—this paper argues, on the contrary, that China could not credibly use its stock of such assets as a weapon against Washington. For example, China could weaken the U.S. dollar and increase U.S. interest rates by dumping its over half-trillion dollars in reserves on the market, but doing so would significantly harm China’s economy. If the United States does not reduce its deficit, however, a Chinese decision to stop purchasing U.S. Treasury securities would force Washington to increase interest rates or cut back spending, either of which would likely trigger a severe recession but minimize the impact on China’s economy relative to the scenario in which Beijing sells off its existing stock of U.S. dollars and bonds.

## Cooperative policies

- 1. *Support closer Asian economic cooperation.*** Although longstanding tensions amongst many Asian countries would make closer economic integration difficult, this is one area for regional cooperation that is worth pursuing. The United States could support deepening existing institutions, such as the Association of South East Asian Nations (ASEAN +3), to create a free trade zone or eventually a common market similar to the EU. Strengthening the links between the region's economies could increase the cost, and therefore reduce the risk, of conflict among those states. Notably, even if China decides to participate in these multilateral forums aiming to strengthen its regional ties so as to compete with the United States, these organizations could at the same time increase Asian interdependence, thus helping to constrain Chinese power.
- 2. *Look for ways to cooperate on environmental protection.*** There is a dilemma regarding China's rapid economic growth: while China arguably has a right to grow just as the United States and the West did, doing so in the same environmentally harmful manner will have severe implications for the global environment. The United States could cooperate with China to develop environmentally-friendly technologies and new fuel sources. Energy is an especially attractive field for U.S.-Sino cooperation because competition over limited petroleum supplies is one of the biggest sources of potential conflict.
- 3. *Do not push China to democratize.*** This is perhaps the most controversial recommendation, but it could help reassure the current Chinese government and prevent it from balancing to ensure regime survival. So long as China does not advocate expansionist policies or try to promote its ideology abroad, which it has not yet done, the communist government in Beijing is drastically different than that in Moscow during the Cold War, and one with which the United States could potentially live. In fact, a democratic Chinese government would most likely have more international legitimacy, making it easier for Beijing to assert its interests abroad and challenge the United States. Given the limited success of state-building, the difficulty of transferring democratic governance, and the fact that gradual change usually is less disruptive than sudden change, the United States should allow political reform to progress on its own in China. This recommendation does not mean the United States cannot, for instance, cite Chinese human rights violations, but Washington must be cautious in voicing disapproval of the communist regime or else it risks prompting a balancing response from Beijing.

## CONCLUSION

This paper has made two contributions to the ongoing debate over China. First, this paper suggested that international order can best be described as a hybrid of balance-of-power, hegemonic, and constitutional orders—one in which an increase in multilateral cooperation or a resumption of power politics represent shifts within the same order. While this hybrid order loses much of the simplistic predictability of realism and liberalism, scholars can use game theory to model strategic interactions between pairs of states more accurately. Second, this paper analyzed U.S. policy toward China using a simple game theory model which found that a mixed strategy exists whereby the United States could randomize between cooperation and competition in a strategy of “guarded engagement.” In light of these results, the United States should try to increase the benefits to China of cooperation while deterring a unilateral defection to competition. While it may appear that Washington is already implementing a mixed strategy toward China, it has most likely done so because of changes in thinking across administrations rather than a conscious decision to strategically alternate between cooperation and competition. This simple model suggests that Washington, by being inconsistent, has inadvertently found a stable equilibrium mixed strategy.

## REFERENCES

- Angell, Norman. 1914. *The Great Illusion*. London: Heinemann.
- Brown, Michael E., Sean M. Lynn-Jones, and Steven E. Miller, eds. 1995. *The Perils of Anarchy: Contemporary Realism and International Security*. Cambridge: The MIT Press.
- Crane, Keith, et al. 2005. *Study predicts China's defense spending is lower than previous outside estimates*. RAND. <http://www.rand.org/news/press.05/05.19.html> (accessed December 30, 2005).
- Dixit, Avinash and Barry Nalebuff. 1991. *Thinking Strategically*. New York: W. W. Norton & Company.
- Doyle, Michael. 1983. Kant, Liberal Legacies, and Foreign Affairs. In R. Art and R. Jervis, eds., *International Politics: Enduring Concepts and Contemporary Issue*. New York: Longman.
- The *Economist*. 2005. East Asian diplomacy: Dead on arrival, December 14.
- \_\_\_\_\_. 2005. China's world order: Aphorisms and suspicions, November 17.
- \_\_\_\_\_. 2005. Tensions with China: The new face of globalization, November 17.
- Friedberg, Aaron. 2000. Struggle for the Mastery of Asia. *Commentary* 110 (4): 17-26.

- Fukuyama, Francis. 2004. *State Building: Governance and World Order in the 20th Century*. Ithaca: Cornell University Press.
- Gilpin, Robert. 2002. The Rise of American Hegemony. In P. O'Brien and A. Clesse, eds., *Two Hegemonies: Britain 1846-1914 and the United States 1941-2001*. Aldershot: Ashgate.
- Grieco, Joseph. 1988. Anarchy and the Limits of Cooperation. In R. Art and R. Jervis, eds., *International Politics: Enduring Concepts and Contemporary Issue*. New York: Longman.
- Ikenberry, G. John. 2001. *After Victory: Institutions, Strategic Restraint and the Rebuilding of Order After Major War*. Princeton: Princeton University Press.
- Jervis, Robert. 2002. The Era of Leading Power Peace. In R. Art and R. Jervis, eds., *International Politics: Enduring Concepts and Contemporary Issue*. New York: Longman.
- \_\_\_\_\_. 1978. Offense, Defense, and the Security Dilemma. In R. Art and R. Jervis, eds., *International Politics: Enduring Concepts and Contemporary Issue*. New York: Longman.
- Johnston, Iain. 2003. Is China a Status Quo Power? *International Security* 27 (4): 5-56.
- Kagan, Robert. 2002. Power and Weakness. *Policy Review* 113: 3-28.
- Keohane, Robert. 1984. A Functional Theory of Regimes. In R. Art and R. Jervis, eds., *International Politics: Enduring Concepts and Contemporary Issue*. New York: Longman.
- Layne, Christopher. 1994. Kant or Cant: The Myth of the Democratic Peace. *International Security* 19 (2): 5-49.
- Lipson, Charles. 2004. *Reliable Partners*. Princeton: Princeton University Press.
- Machiavelli, Niccolo. 1531. *The Discourses*. New York: Penguin Classics, 1985.
- Medeiros, Even S. and M. Taylor Fravel. 2003. China's New Diplomacy. *Foreign Affairs* 82 (6).
- Meirsheimer, John. 2001. Anarchy and the Struggle for Power. In R. Art and R. Jervis, eds., *International Politics: Enduring Concepts and Contemporary Issue*. New York: Longman.
- Meirsheimer, John and Zbigniew Brzezinski. 2005. The Clash of the Titans. *Foreign Policy* 146: 46-50.
- Nicholson, Walter. 2005. *Microeconomic Theory*. Mason, Ohio: Thomson South-Western.
- Oye, Kenneth. 2004. The Conditions for Cooperation in World Politics. In R. Art and R. Jervis, eds., *International Politics: Enduring Concepts and Contemporary Issue*. New York: Longman.
- Schweller, Randall. 1999. Managing the Rise of Great Powers: History and Theory. In Alastair Iain Johnston and Robert S. Ross, eds., *Engaging China: The Management of an Emerging Power*. New York: Routledge.



- 
- Shambaugh, David. 2004. China Engages Asia: Reshaping the Regional Order. *International Security* 29 (3): 64-99.
- Walt, Stephen. 1987. Alliances: Balancing and Bandwagoning. In R. Art and R. Jervis, eds., *International Politics: Enduring Concepts and Contemporary Issue*. New York: Longman.
- Waltz, Kenneth. 1979. The Anarchic Structure of World Politics. In R. Art and R. Jervis, eds., *International Politics: Enduring Concepts and Contemporary Issue*. New York: Longman.
- \_\_\_\_\_. 1993. The Emerging Structure of International Politics. In M. Brown et al., eds., *The Perils of Anarchy: Contemporary Realism and International Security*. Cambridge, MA: The MIT Press.
- \_\_\_\_\_. 2000. Structural Realism after the Cold War. *International Security* 25 (1): 5-41.