

KEEPING OPTIONS OPEN

HEDGING BETWEEN GREAT POWERS

Small nations are pursuing this strategy as a way to manage ties with US, China



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NAPOLEON once famously said: "China is a sleeping giant. Let her lie and sleep, for when she awakens, the world will tremble." Two centuries later, awaken it did when Deng Xiaoping introduced "reform and opening" in 1978, leading to China's astonishing economic growth averaging 9.4 per cent annually.

Today, China's economy stands at US\$12.2 trillion, second only to the United States (US\$19.5 trillion). Its meteoric rise has since

given birth to extensive arguments on how China's rise will influence world order, be it peaceful or conflictual.

As a rising China challenges US' supremacy, it poses ever-changing uncertainties and risks in terms of security, trade and diplomacy. It is no surprise that Asean countries, traditionally non-aligned, have customarily pursued a strategy described as "hedging" as a way to manage equidistance between these two great powers.

A term adopted from the finance industry, hedging essentially means insuring against risk. In general, a state is hedging if it engages a great power both economically and diplomatically while simultaneously adopting contingency security measures with a competing great power as a form of insurance.

Hedging strategy is thus markedly prevalent in our South-east Asian region, a grandstand play for two of the world's most dominant powers — the US and China. Not wanting to be forced to choose sides between the two, Asean countries have always continually affirmed their commitment to keep the region neutral.

Dr Kuik Cheng-Chwee, a renowned scholar on the subject

of hedging, sheds further light on this insurance-seeking strategic behaviour as emitting three characteristics. First, an insistence on not taking sides between the contending powers; second, an active pursuit of contradictory and mutually counteracting measures vis-a-vis the powers; and third, a bottom-line goal of using the opposite measures to cultivate a fallback position.

The main reason for hedging's popularity of late has been its usefulness in describing a state's seemingly opposing responses to competing great powers. The concept contrasts significantly to the Cold War era's two most popular strategies: balancing and bandwagoning.

When Russia was a competitor to the US, a state was deemed balancing if it forges an alliance with others against a prevailing threat; or bandwagoning if it aligns with the source of danger in deference. The concept of hedging has since advanced to fill the gap from balancing/bandwagoning as it best defines a state's mixed strategy that does not fall into either one of the two categories.

Former US president Donald Trump and current president Joe Biden, while their statecraft and

strategy may differ, their mutual interest in containing China does not set them apart. As history tells us, the US has always sought to prevent the rise of a peer competitor, from Imperial Germany, Nazi Germany and Imperial Japan to Soviet Russia. This, in part, explains the escalating tensions between China and the US, as seen in the former's assertiveness in the South China Sea and the latter's increased efforts to keep China's rise in check.

Are we on the brink of a second Cold War? It's hard to tell, but early signs certainly point towards that direction. US' landmark "pivot to Asia" policy announced in 2012 during former president Barack Obama's administration represents a shift towards containing China and has continued ever since.

China understandably responded with the Belt and Road Initiative (BRI) in 2013 and have been using its investment prowess as leverage to strengthen relationships with regional countries. Recently, even Covid-19 vaccines have become tools of diplomacy where favourable countries are given priority.

Looming on the horizon, as evidenced by Dr Alexander Korablev's study, increased compe-

tition between these two great powers forms a systemic pressure on small states, forcing them to choose sides. As the changing postures of Vietnam (increasingly pro-America) and Philippines (increasingly pro-China) demonstrate, hedging may be less sustainable in the long term.

Nevertheless, hedging is arguably one of the most influential concepts to emerge from scholarship on the international relations of the Asia-Pacific in the 21st century. Hedging provides smaller powers insurance against negative impacts of the uncertain behaviour of a great power. As Dr Kuik puts it, hedging is "a strategy that works for the best and prepares for the worst".

As much as we need to "hedge against" future losses, we must never allow ourselves to be "hedged in" by competing rivalries, principally as we tread the delicate issue that is the South China Sea. Equidistance between the two major powers will be key, for, as they say, a hedge between keeps friendship green.

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