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**FEASIBILITY TO WIN-WIN: EXAMPLE OF HEDGING
STRATEGY IN THE SOUTHEAST ASIAN CONTEXT**

Bachelor's Thesis

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I declare I have written the bachelor's thesis independently.

All works and major viewpoints of the other authors, data from other sources of literature and elsewhere used for writing this paper have been referenced.

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“Dynamics of international relations bear a striking resemblance to the laws of the jungle: not all creatures are created equal and only the fittest survive.”

-Prof. Shunmugam Jayakumar, Speech at opening Dinner of the Fourth Heads of Mission Meeting, 1997.

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ABSTRACT

This paper is dedicated to discussion on the strategies of small states towards great powers, a concern of many countries at present. The issue is placed in a theory-bound framework to show the foreign policy options for weaker state-actors in international relations. The work outlines the important factors and policy instruments that are applied by small states to pursue their own interests in economically and politically competitive arena. It aims to argue that weaker states do not necessarily need to be subordinates or enemies to a dominant power. Instead, by establishing and applying flexible policies, shaping their national importance, being attractive externally and coherent in pursuing internal policies, small states contribute to developing a *win-win* interrelation with a great power.

The hypothesis suggested is tested by case study of the Southeast Asian region. More specifically, the paper examines the approaches of Thailand and Singapore *vis-à-vis* the People's Republic of China (PRC) since the 1997 Asian Financial Crisis. The role of the Association of Southeast Asian Nations (ASEAN) and the lobbying of the two states for preferable legal framework of cooperation with the northern neighbour are studied. The paper also looks at the issue from the perspective of the dominant power and lays out those factors, which make the PRC's relations with the small states constructive by their nature. The work concludes that there is no unique recipe for a small state to gain benefit from a great power relation, a regional context, as well as a dominant power's strategies and state of a weaker country may vary together with other foreseeable and unpredictable factors; however certain policy-solutions of Thailand and Singapore can be treated as one of the examples of establishing win-win relations with a regional power centre by pursuing cohesive internal and foreign policies and maintaining balance of power.

Keywords: small states, great power, hedging, the PRC, ASEAN, Thailand, Singapore, strategy.

INTRODUCTION

International relations as a dynamic and ever-changing phenomenon are characterized with power ascent and descent of actors. Emerging non-state and state actors aspire to become dominant, great powers, using different strategies to ascertain the goal; the already existing leading forces heavily and comprehensively invest in maintaining their influence. The arena of power struggle is especially challenging for *middle* and *secondary powers*, countries with less internal or external capabilities to affect global politics. However, the Elian phrase, dominating power politics for centuries, “the strong do as they can and the weak suffer what they must” appears to be worth questioning (Lee 2012, 4). Even though some large powers pursue a *realpolitik* as their primary principle, essence of power and influence has gone through transformation due to political and economic globalization; a new set of values have evolved. Scholarly analyses provide very good insights of theoretical opportunities for small states or examine experience of a particular country, suggesting alternative foreign policy approaches depending on possible developments; however, the issue of *win-win* relations between asymmetric powers, its prerequisites, instruments and multifaceted perspective is rarely elaborated simultaneously.

This paper aims to study foreign policy options of small states in relation to a great power, analyse the opportunity to benefit, find reasoning behind sustainability of such approaches and test the hypothesis with case studies. The latter will allow looking at the asymmetrical relation from the perspective of both – small states and the dominant power. Another purpose of this work is to show examples that some small countries manage to discreetly collaborate with ascending powers and, at the same time, save their political, social and economic identity.

Thus, the work seeks to understand and inquire the question: How is it possible for small states to establish mutually beneficial relations with a dominant power? This main question seems to be answered only by examining the following sub-questions: What are theoretical options of maneuvers for small states? Which strategy would better pursue their national interests? Which factors, if any, do contribute to the development of *win-win* relations? Can empirical knowledge be generalised in this particular case? In attempting to find answers, the

paper focuses only on the Sino-Southeast Asian example; it implies states actors in research objects.

For research consideration, this work uses secondary qualitative and quantitative material. The study is predominantly based on qualitative method, more specifically, discourse and comparative analysis. It combines different scholarly viewpoints on the issue, lays out strategies and seeks to find possible reasons behind the choices of states. The sources referred in this paper vary from theoretical works of prominent scholars like Walt (1985, 1987) and Keohane (1995) to comparative case studies of Sino-Thai and Sino-Singaporean relations. Some articles from international and local media channels are also utilized to illustrate how Singapore and Thailand put economic balancing into practice. Applying process tracing of qualitative analysis shows how the case studies test theoretical opportunities, considered in this paper. With the view of questioning economic competition and complementarity, quantitative data is drawn and interpreted. The chosen methodology allows the work to study the issue from different perspectives, test the hypothesis and draw conclusions, considering facts and scientific analyses.

When speaking about the Southeast Asian region and global powers, the ‘Peaceful Rise’ of the PRC is widespread term to use. The rise is undoubtedly evident; however, the dispute over Spratly and Paracel islands as well as constant annual growth of China’s on military expenditure (World Bank) create a security threat – both real and perceived – for the neighboring countries in the South. Many scholars, such as Lee (2012), Fei (2012), Roy (2005), Chinwanno (2009), Yunhua and Kui (2007), Kuik (2008), and others, widely agree that Southeast Asian states to different extent choose **engagement policy** towards the PRC. This trend is noticeable in bilateral and multilateral relations: collectively it is pursued through “middle power activism of ASEAN” (Tongfi 2008, 95). For its ultimate purpose, the work discusses the reasons why Beijing pursues so-called “smile diplomacy” toward smaller Southeast Asian states and what is at stakes (Shi 2012). Among multiple theoretical perspectives, this paper focuses on *hedging*, as it appears to be the most flexible and comprehensive foreign policy approach, leaving space for small states to maneuver. Hence, the policy choices of Thailand and Singapore are examined through the lens of hedging strategy and prerequisites to its feasibility are laid out.

The paper starts with definition of terms that is followed by examination of theoretical frameworks based on literature review. The first chapter also offers a generalisation of

instruments of hedging. After that, description of ASEAN's diplomatic engagement with the PRC and the role of Thailand and Singapore in it are presented. The focus then shifts to the Chinese stance on the engagement strategy towards the Southeast region and ASEAN as a whole. The third part focuses on empirical experience of hedging strategy of the same two nations – Thailand and Singapore, which are examined based on four major factors: domestic political development, economic policies, diplomacy with the PRC and collaboration with other dominant powers. The main conclusion of the paper is that small states' internal policies when pursued rationally, coherently and flexibly can lead to establishing a *win-win* position in foreign policies between two asymmetric powers.

1. THEORIES AT HAND

This section of the paper seeks to discuss different theoretical approaches concerning secondary- and middle powers-great power relations. It offers a definition of the objects and presents theoretical strategic choices of the small states, stresses on the three major theoretical viewpoints in the field such as *balancing*, *bandwagoning*, *hedging* and, therefore, closely examines them. Reasons of applying any of these strategies are discussed, as well. The last part of the chapter concentrates solely on the hedging strategy and identifies four essential prerequisites for its successful implementation: economic policies and country-specialisation, engagement with the dominant power, diplomatic cordiality and soft balancing. The paper argues that these factors have significant role in explaining *win-win* engagement between asymmetric players.

1.1. Definition of terms

As the main purpose of the work is to identify how middle powers behave with great powers, particularly, in order to benefit from the interaction, it seems important to firstly define the objects of the discussion. It might seem unreasonable to call, for example, Singapore a small state: although more than 13 thousand Singapore-size country would fit on the territory of the PRC, an average citizen of Singapore is around seven times wealthier than the one of the PRC, and internationally the latter falls much back in transparency ranking than the island city-state (World Bank; Transparency International). Thus, if there is something to be considered in this regard, is primarily the concept of relativity.

In international politics, as Keohane (2006) puts it, *minor* states are the ones, which are not powerful enough to affect global political developments, while, on the contrary, the big states are characterized with the “system-determining” capability. According to other explanation, the “size of power” is the most important factor in measuring the influential power, downgrading factors like Gross Domestic Product (GDP) or their territorial extent (Lee 2012, 4). It is obviously impossible to set strictly-defined criteria or any kind of threshold, after which a country ceases to

be perceived as a small or medium-player and starts to be viewed as a great power. For example, some scholars argue that Japan, with the third largest GDP in the world, is not a great power, due to its “lack of efficient military capability [...]” (International Monetary Fund 2015, Lee 2012, 4). What can be noted is that self-perception makes the difference: ambitious foreign policy with certain degree of mixture of hard & soft power foreign policy elements uniquely characterizes great powers.

Despite the fact that small states are unlikely to change global political settings, they are capable of influencing the stronger actors. However, this is far from being a simple task. For minor powers the issue of survival is always at stakes, therefore, they need to be “extremely cautious,” while making strategic decisions (Ibid.). Security threat is one of the factors which can be overcome either by concentration of national efforts or unification of efforts of group of actors. A very widely-practiced strategy in post-WW2 period is *Multilateralism*, the institutional approach of less powerful countries to pursue common interests and stabilize world political settings.

This approach known as *Liberal Institutionalism* implies that states get benefit while cooperating and lose more if they fail to do so. Robert Keohane who is one of the founders of the theory, together with Lisa Martin, suggests that institutional cooperation has both security and economic implications that is revealed in forms of “mitigating fears of cheating” and “alleviating fears of unequal gains from cooperation”. The scholars further note that collaborative parties get “relative gains” and “substantially influence course of international relations” (1995, 45-46). This viewpoint is shared by Bruce Gilley too who contends that middle powers (institutions in this case) have sufficient “diplomatic resources, usually in concert with other like-minded middle powers” to have their own say in global politics (2008, 47).

Hence, secondary states, when united under institutional framework, can generate middle power capabilities and pursue their common concerns or aspirations. Interestingly, when it comes to approaching an actor with dominant power, the institutional approach is utilized to either deter or engage with it. The range of policy options, with the focus on three main strategies are the subject of discussion of the following chapter.

1.2. Theoretical frameworks on secondary states' strategies

Small states are usually exposed to the strategic choice of how to approach a great power, as many factors can be determinants. Facing the ascending player in international arena that will, in any manner, influence the less powerful actors, small states typically choose to oppose the rising power, engage with it or follow a more flexible middle way of shifting different strategies. Each of the three can have their own variations, depending on level of application and the context. The other policy options include *hiding*, *transcending*, *appeasing* and *accommodating* which will be discussed below to understand how small states might theoretically behave depending on multifaceted and varying factors.

1.2.1. The way of survival

Firstly, small states can distant themselves from the powerful force and contradict with the possible means, thus, pursue strategy of **balancing**. With conventional implication it is to oppose power dominance by allying with the other power centre. This strategy is frequently applied when there is a real security threat or open confrontation between the asymmetric actors. It can also be understood as the mean of restraining dominance of a great power that is usually feasible by building coalitions or allying with already-existing other strong players. The strategy of balancing is the strategy of deterrence and, depending on the level of the strength, might be either *hard* or *soft*. Reasons for choosing **hard balancing** may be a state of war – explicit or implicit – as well as the serious disagreement over significant issue for the parties which is impossible to be compromised. The approach is characterized with strengthening internal military capability and joining military alliances regionally and internationally. As for the **soft balancing**, it implies military partnership with external power in non-traditional security aspects or bringing other great power into the regional or national economic and social affairs. Danny Roy (2003, 4) offers a comprehensive definition of balancing by stating that:

A state balances against a perceived potential adversary either internally, by shifting resource allocations to strengthen its defensive capability, or externally, by cooperating with another state that fears the same potential adversary.

Balancing might be a complicated path to take, as some of the existing powerful states pursue *realpolitik*. Therefore, small states might feel themselves to be vulnerable to form an alliance or partnership with another great power in order to neutralize the security threat, as their survival might be threatened. Considering the overwhelming military and economic capabilities available to a great power and the probability of their use, it might be hazardous in the extreme for the weaker state to cope with the offensive moves and pressure. In this sense, balancing with its pure essence is a policy choice that leaves little room to maneuver for small states. Due to high intensity, another feature of the strategy is the least economic, political and social engagement with the great power. That is why, this approach does not give any kind of opportunity for the small states to benefit from the great power, as the primary purpose is to distance from it. Nowadays, the reasons for choosing balancing may vary from territorial disputes to ideological controversies between the parties. Despite these negative causes of pursuance and tense atmosphere that it might create, this strategy of deterrence can bring stability to the regions and provide small states with significant backing, thus, protect their existence and save them from the state of helplessness.

Strategy of balancing can be opposed by another approach called *bandwagoning*, which will be explained in the following sub-chapter.

1.2.2. Reward for the company

At the end of the continuum, strategy of **bandwagoning** carries a contrasting meaning when compared with balancing. It implies developing close relationship with the power centre in order to avoid security threat and gain benefit that comes with the alliance. The reward for the bandwagoner can primarily be political stability. The other benefits may include economic favours, diplomatic amicability and vivid social interaction. In this regard, Schweller (1994, 74) arguably notes that rather than serving the same goals to ensure security, the two strategies have

different motives: balancing serves to “self-preservation”, while bandwagoning aims at “self-extension”. According to Walt, the main logic behind the strategy can be either “to avoid an attack on himself by diverting it elsewhere” or to share gains of the victorious (1984, 5-6). It needs to be pointed out that the issue of strategic dilemma is not brought with the same footage to all small states: balancing, which requires political and economic resilience, might be the unrealistic policy option due to domestic instability, economic vulnerability or simply by political orientation of the secondary power. Schweller (1994, 78) shares Walt’s (1985) position on the issue and echoes this standpoint by arguing that:

States with illegitimate leaders, weak governmental institutions, and/or little ability to mobilize economic resources are weak states that are likely to bandwagon anyway.

Taking into account that international politics are dynamic and great powers tend to be unpredictable, small states might find it challenging to come close economically, diplomatically, militarily and politically with the dominant country. Primarily, in this case a country with less influential capacity is bound to co-exist politically with the powerful actor, fall under sphere of influence of the stronger. It would mean that, any political move that is not compatible with the powerful forces, is not expected to be revealed. One could say that bandwagoning represents a one-sided game. Bandwagoning also raises the issue of **hierarchy**. It might become a problem if small states appear to be subordinates and highly dependent on decision-making of the dominant power in various spheres of life.

In his thorough work *Alliances: Balancing and Bandwagoning*, Stephan M. Walt introduces two other reasons – proximity with a Great Power and availability of an ally – to explain why states might apply bandwagoning. According to him, weaker states with close vicinity to a dominant power are more likely to ally other than balance against it. In addition, even if they would prefer balancing over bandwagoning, unavailability of a strong power which would be a prospective partner can limit strategic choices of the weaker state-actors (1987, 14-15). Studying the Southeast Asian region, scholars have varying standpoints on explaining reasons behind strategic approaches of the small nations. Tsung-Yen Chen and Hao Yang, for instance, believe that the significant factors in applying one of theories are “threat perception”

and “trade expectation” (2013, 1). The authors offer a very interesting axis of strategies, explaining that when a country expects positive developments in both security and economic spheres in relation to a great power, it will more probably be inclined to bandwagoning; whereas, when negative expectations prevail and security concerns increase, small states are more likely to balance.

Due to the evident dichotomy between the two strategies discussed above, the other commonly used middle-strategies should also be discussed to clarify differences between them and identify circumstances which make their application most expected.

1.2.3. Other approaches

Before discussing hedging - the third major strategy of small states, other approaches which might also be pursued by secondary powers should be briefly discussed. A scholar from the Republic of Korea Air Force Academy Jeongseok Lee explains common trends of small states’ behavior and lays out strategies such as *transcending*, *hiding*, *appeasing* and *accommodating*, among others. Their short introduction will be useful to better understand essence of hedging and to argue that minor powers tend to take multiple policy directions for the best outcome.

A very relevant and commonly used strategy is **transcending**, which corresponds to the above-described theory of Institutionalism. It draws particular attention to “multilateral institutions and international norms,” as the smaller states get the opportunity to voice up their common concerns and collectively “exercise influence over” the dominant power (Lee 2012, 8). Transcending is an engagement method and could be utilized to “socialize” with a great power (Ba 2006). Theoretically, the strategy benefits all parties: weaker states find channels to communicate with power centre and stabilize relations through legal framework, while a dominant power engages with the smaller states, which through multilateralism recognize and respect its importance.

Another interesting political strategy formulated by Lee is **hiding** which for a small state means to stay unnoticed during “regional power transition” (2012, 5). In order to be applied, this approach requires its own conditions such as distance from the power centre. It seems impossible

to pursue hiding at all times by any small state, as this kind of move brings temporary stability and impartiality, as its only benefit.

Secondary powers might respond to an ascending actor by irrational compromise too which is referred as **appeasing** strategy. Jeongseok defines it as small states' behavior to "yield on unreasonable demands of rising power" (2012, 6). This theoretical perspective might be pursued by a state with internal vulnerability, opened security threat or, on the contrary, expectation of greater reward. Appeasing can be viewed as a step after bandwagoning. Even though it might benefit elites of the both parties, this tactic cannot provide long-term or sustainable gains for the compromising side.

A small state might also choose the strategy of recognizing an emerging great power which is known as **accommodating**. This approach, in contrast with appeasing, does not imply any kind of disadvantageous concessions, but rather considers "enhancing relationship with rising state" and possibility of interstate coalition formation (Ibid.). This policy option appears to be more opportunistic, as it offers normalization of relations with dominant power and leave the room for collective engagement.

To conclude, rather than applying one of the above-described strategies, small states are more likely to combine them. Alternatively, they might decide to keep flexible and shift approaches, depending on the circumstances and political developments around. For example, a country might be pursuing transcending and accommodating strategies, engaging into multilateral cooperation and recognizing rising power at the same time. In order to better understand behavior of the small states aimed at establishing win-win relation with the dominant power, one more important strategy – hedging – needs to be discussed.

1.2.4. Hedging as a bridge

Hedging strategy appears to be the tool of pursuing more moderate foreign policy of small states. One of its main features is comprehensiveness: hedging comprises characteristics of the different strategies mentioned above such as soft balancing, accommodating, transcending and even bandwagoning. In other words, it implies shifting the policy approaches depending on the circumstances, combining tools of both balancing and bandwagoning. In contrast with the other

approaches, the end goal of hedging is to gain benefit by the means of constraining security threat, developing diplomatically cordial and economically complementary relations. In practical terms, a small state might be having military cooperation in non-traditional security areas as well as intense economic interaction with other great power. In parallel, it might aspire keeping diplomatic and trade relations opened with the regional power centre, benefiting from investments and collectively creating common legal ground to enhance predictability of behavior of the proxy great power.

Another symptomatic characteristic of the strategy is **engagement** with the dominant power. It is also important to note that the main idea of hedging is to keep rational balance between moving too close and going too far from the power centre. Small countries need significant efforts (economic, military among others) to direct their maneuvers according to ever-changing regional and global dynamism. Kuik Chwee calls hedging “two-pronged” strategy, stating that it “works for the best and prepares for the worst” (2008, 171).

Based on the axis as referred a Spectrum of Desirability of China, introduced by Chen and Yang who place bandwagoning as the most desirable policy option of small states for the PRC and balancing as the least favourable one, while hedging is in between (2013, 11), taking into consideration the other above-described possible policy strategies offered by Lee (2012), the following chart can be drawn up:

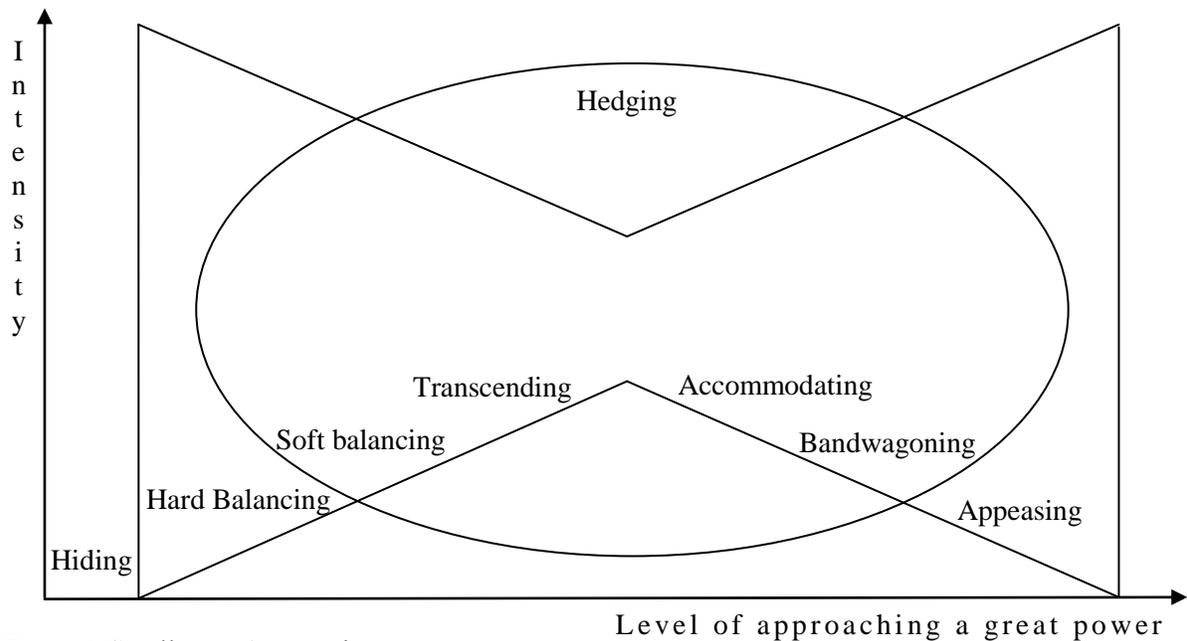


Figure 1. Small states' strategies to a great power
 Source: Compiled by the author

Based on the discussion of the strategic choices of the weaker states in face of rising powers, *Figure 1* shows that when hard or soft balancing strategy is applied, intensity is high and states are attempting to keep themselves secured by distancing from the power dominance. As the intensity of balancing declines, weaker countries are more likely to engage with great powers and collaborate in various policy directions via transcending and accommodating. Bandwagoning and appeasing are high intensity strategies too and when applied, small states come into close cooperation or compromise with the dominant force. At the middle point, the chart illustrates hedging strategy with its comprehensive nature, covering four different approaches. Each of these presented theoretical strategic choices of secondary powers lead to divergent loses and gains; however, they can be regarded as the different ways to the same end goal: to ensure stability.

1.3. What makes hedging feasible?

As discussed in the previous sub-chapter, hedging is the strategy which considers that small states change their behavior or combine different approaches in order to better pursue their national interests and ensure that balance of power is maintained. It is interesting to inquire,

firstly, which major factors support them to choose hedging and, secondly, what are the features of its implementation.

Between the various motives which may lead to application of the strategy, **uncertainty** in international politics is one of the major ones. As Kuik puts it, due to ambiguity of the system, weaker states are likely to hedge in order “to avoid taking sides or speculating about the future of Great Power relations” (2008, 165). In addition to the uncertain international system, small states are usually unable to foresee intentions and the moves of a great power, thus, the environment is **unpredictable**. Even if a dominant power is legally bound to follow some principles, it might still be inclined to flex its military capabilities or use the economic advantage in a critical situation and create a security vacuum. That is why, small states may prefer to defend themselves with concentrating their internal capabilities, providing collective response or using the other dominant power as a shield or a stabilizer. Thus, unpredictability requires secondary powers to be ready for applying alternative foreign policy options.

There can be identified major features of the hedging, without which the strategy cannot be viable. In order to establish beneficial relation with the dominant force, it is crucial to engage with it at the **diplomatic level**. The formal meetings, a signal of cordiality of the parties, express readiness of the countries with asymmetric powers to collaborate. They usually serve to strengthen ties between the parties and tend to result in tangible outcomes such as more active economic cooperation, information exchange or further engagement of other sort. Arguably, some small states might perceive the diplomatic engagement to be the expression of subordination or a compromise. However, when applied the hedging strategy, sitting with their counterparts, leaders significantly increase chances to involve each other into mutually acceptable binding agreements. Thus, diplomacy can serve as a tool to individually or collectively promote interests of weaker states, while finding common language with the dominant force.

In addition to diplomatic engagement, to be effective the strategy of hedging requires small states to practice **soft balancing** approach. Discussing the Southeast Asian case, Denny Roy suggests that a country might engage into military cooperation with the competitive rising power to increase “assurances toward and cooperation (particularly economic) with the target state” (2005, 313). As mentioned above, soft balancing can be realized by engaging in non-

traditional military collaboration with the other great power in the spheres such as terrorism and piracy. There is a thin line between workable military balancing and a provocative move towards a proxy dominant power. Nonetheless, in order to demonstrate independent political aspirations and means of achieving them, small states might find soft balancing as an essential element for avoiding stigmatized power hierarchy and thusly increase their bargaining ability.

It is important to point out that internal policy-orientation of a small nation has direct effect on its foreign policy choices. A small nation to be able to benefit from a great power needs to **design its state role** that would make it attractive regionally and globally. In other words, it would imply to specialize a country as a whole in a particular economic, educational, military, diplomatic or any other direction that would, in effect, emphasize the peculiarity of a small state. The comparative advantage of a weaker country, upon which to build capacities, might be its geopolitically and economically important location, natural resources or human capital, among others. The unique role of a small country significantly contributes to mitigating the asymmetry with a great power, while a weaker state would have something to bargain on or offer to the dominant force. In order those internal arrangements to succeed, statesmen need to carefully ponder upon the long-term architecture of the state in the setting of regional affairs. The other important factors include cohesion and continuation: small states, facing a dynamic international environment, are capable of crafting their own roles and images internationally only if the implementation of chosen policy directions is not interrupted by power change; state policies are not principally affected by one or another ruling party.

The continuation of the internal state policies has its own motive, as well. The ruling party within a small state might be in office for several terms that can support smooth policy implementation. Furthermore, the governance might be willing to maintain its power and seek to “legitimate power [...] to preserve security and cohesion, to deliver economic growth, to uphold sovereignty and to promote a rationalized ideal that is peculiar to a particular country” (Kuik 2008, 162). That is to raise public trust towards the government by proving to be efficient and consequently to stay in power. However, the detrimental factor in pursuing national capability building is keeping policy orientations at state-level importance so that the domestic transition of power only changes the methods of the implementation, rather than the principle course.

In sum, hedging strategy can be allowing a small state to benefit from a great power in multiple ways if it is accompanied with balanced military strategy, diplomatic engagement and coherent internal policies in order to cope with ambiguous and unpredictable global political order.

2. EMPIRICAL STRATEGIC KNOWLEDGE

In this section, the paper examines empirical knowledge on the small states' approach to a dominant power. As the work focuses on the Southeast Asian example, it will firstly discuss the role of ASEAN in pursuing hedging strategy regionally. Later, approaches of the PRC as well as those of Thailand and Singapore will be researched. The main reasons why latter two states have been selected for consideration are that both of them are the countries with advanced economies in the region, they have the similar approaches of economic complementarity with a dominant power and neither of them appears to be a claimant in ongoing dispute in the South China Sea (SCS).

2.1. How does Association of Southeast Asian Nations matter?

As mentioned in the previous section, institutions carry their importance of supporting small states in uniting their efforts and collectively approaching a great power. ASEAN, consolidating divergent states politically, economically, culturally and historically, manages with increasing success to inter-cross hands of leaders and complement differences of the ten member states. In a sense, the principle role of the association could be to balance regional powers, while benefiting from the economic integration. Since its foundation in 1967, small states of ASEAN pursue transcending as the form of multilateralism. Stabilizing relation with the PRC has been priority for the Association member nations: it has been the first extra-ASEAN country with which formal negotiations were concluded.

To better understand the role of ASEAN, diplomatic engagement with the Chinese counterparts needs to be examined. Interestingly, uniting them under one umbrella, the association enhances secondary power of individual states up to the institutional middle power. According to Gong, middle powers are “uniquely positioned to influence international affairs” diplomatically usually by engagement with other similar-weighted actors (2014, 47).

In Sino-ASEAN relations, **hedging** strategy is easily noticeable. Aiming to create “an outward-looking” entity, ASEAN diplomatically engages with North America, Europe, East and

South Asia and Oceania in the framework of Asian Regional Forum (ARF) (ASEAN Vision 2020). Especially active and multidimensional relations have been developed with so-called ASEAN+3 partners: the PRC, South Korea and Japan (later expanded to ASEAN+6). Evelyn Goh has argued that the three-country engagement project has been a “reaction to the perceived lack of support from the US and western institutions” (2004, 15). Facing the rise and growing influence of the PRC for few decades already, ten Association members multilaterally involved it in Strategic Partnership for Peace and Prosperity. The basic principle of the cooperation has been declared as mutual benefit. To implement action plans between the two parties, regular consultations are held, ASEAN-China Summit is conducted and the ministers exchange thoughts at the Ministerial Summit. Hence, diplomatic engagement plays significant role in initiating new directions of partnership and strengthening interconnections.

A very crucial aspect of Sino-ASEAN relations are economy and trade. The PRC has been viewed as engine of growth and support by the smaller Southeast Asian states. As Goh notes, “ASEAN states have considerable expectations of China contributing to their economic well-being” (2004, 13). In fact, entering into force in 2010, the Free Trade Agreement (FTA) between ASEAN and the PRC, economic interaction in the region has significantly intensified. The common economic area led to increased competitiveness in attracting foreign direct investments too. On the other hand, competitiveness has boosted development and diversification.

There is an active scholarly debate on whether Sino-ASEAN economic relations are complementary or competitive. To explore the issue, developmental trend of the two aspects – trade and investments – needs to be studied. A year after Asian Financial Crisis, China had relatively smaller trade deficit with ASEAN as a whole. Ten member states of the association have enjoyed trade surplus with the PRC; however, later in 2013 more Chinese goods have been exported to the Southeast Asia than imported. Data analysis show that over the years Thailand had been benefiting from the trade relations, while Singapore, which is one of the most active trade partner for the Chinese, has been importing increasingly more goods from the PRC in recent years (See *Appendix I*). It can be concluded that considering relatively cheap labor in the PRC and the scale of its industries, richness of natural resources and development of knowledge-intensive sectors in Southeast Asian states, there is going to be continuous demand for ASEAN

assets from the Chinese side. Hence, the ten nations may face greater need for advancing more complementary economic spheres. In fact, “the strong demand for investment and consumption in the fast growing Chinese economy is appearing as a leading force to turn the economies of neighboring countries from stagnation or downturn to a rising trend” (Yunhua and Kui 2007, 10). Thus, on the regional level, countries of Southeast Asia look for progressing their *niche* market by developing knowledge-intensive, agricultural- or natural resource-based industries in order to benefit more from economic interaction with the PRC.

As for the competition for Foreign Direct Investments (FDI), in recent years net inflow into ASEAN member states was smaller than that into the PRC; however, in terms of relativity to GDP, Association countries have received more FDI (World Bank 2014, 67). Although the amount of capital investment in ASEAN was significantly less than in the PRC for the last few years, the Southeast Asian countries still benefit by relativity due to smaller national GDPs (See *Appendix2*). It is important to consider Sino-ASEAN venture projects, Chinese investments to the region and national responses to the prospective plans that will be the subject of discussion in the following sub-chapter.

One of the examples, which signifies PRC’s attitude towards Sino-ASEAN strategic partnership has been the recent trip (in November 2015) of the president Xi Jinping in Vietnam and Singapore. Considering the strategic engagement of ASEAN member countries with the US, it is important for the Chinese *dragon* too to offer more *carrots* to the neighbors southwards. In this regard, the Association has succeeded to be treated from the PRC as the target of interest. Before examining how two Southeast Asian states – Thailand and Singapore – managed to develop mutually beneficial complex relationship with the PRC, first it is interesting to look at the issue from the dominant power’s perspective and explain how it might be perceiving rapprochement policy towards the peripheral countries in the South.

2.2. Chinese dragon in socialisation

Being as big and diverse as the PRC is not easy. The most populated country in the world, having constant ethnic strife, an aging labor force, contrast inequality between the coast and the inland, poverty and infrastructural pitfalls, with the same ruling party in power for more than six

decades already, it is no longer an introvert player in the international arena. Along with the problematic issues, the PRC has the second largest GDP in the world and the third strongest “conventional war-making” military capabilities and is aspiring to further expand its economic and political influence by engagement policy (Global Firepower 2015). The recently rejected bid of construction high-speed rail in Mexico, plan to construct the new railway for trade and transportation through central Asia to Iran, building the biggest canal on the lake of Nicaragua, which was perceived as an ambition to dominate traditional sphere of the US influence (Kuo, 2015), Silk Road Economic Belt project and enormous Chinese investments on the African continent are only several examples of the PRC’s ambitious worldview. The Southeast Asia is not an exception too, where the country pursues complex engagement theory.

Relations between the PRC and ASEAN countries have intensified since 1997 when “China acted as an engine of economic growth and putative financial backer for the region” (Goh 2004, 6). On the one hand, currency devaluation problem in the small states of the Southeast Asia could spread to the PRC too. On the other hand, it has acted as a trustable partner who would be ready to support its neighbors at times of the crisis, thus, gaining trust and support from the secondary states from the South. As Economist noted, “China developed a taste for getting respect” (2007).

General Chinese approach to the region was described by Shi Yinhong as “smile diplomacy,” which refers to the New Security Concept introduced by the PRC in 2014. The concept stresses on sovereignty and peaceful resolution of territorial disputes; however, messages of the other dominant powers being real security threat, leading to *zero-sum* understanding, have also been conveyed (Cohen 2014). In a way, strategic engagement of the PRC to the Southeast Asia is a competition for influence (Goh 2004, 16). This motive of the Chinese approach makes clear that pursuing hedging strategy by small states is challenging, as the issue of inviting other powers into the regional affairs appears to be very sensitive to the PRC.

Furthermore, considering the fact that “small states can be important ‘electorates’ in regional and international status competition among great powers” (Lee 2012, 4), the PRC has been the first ASEAN partner who signed the Treaty of Amity and Cooperation as well as the Declaration on the Conduct of the Parties in the SCS. The parties undertook to resolve any maritime dispute by peaceful means (ASEAN 2002). Nonetheless, as mentioned earlier, despite

engaging a great power into the binding agreements, risk of pervasive motions still exists. The construction of artificial islands in the SCS and claims of the disputed islands by the PRC has heightened tensions in the region. The issue is a “litmus test” for the Chinese brotherly policy towards the region and if kept unsettled, it might seriously threaten gains of all regional players (Roy 2005, 309).

In addition to that, economic competition with the PRC requires small states to diversify their target sectors. As Goh suggests, close relation with the Southeast Asia is an opportunity for the PRC too to “expedite Chinese economic development” (2004, 8). Better infrastructural integration could boost economic activities of the Southern areas of the PRC. In terms of other aspects of life, China seems interested in learning practical features of good governance from the ASEAN, particularly, Singapore (Goh 2004, 7).

One of the most obvious reasons that stand behind the PRC’s engagement policy towards the region is its overall orientation to more openness. It has also been demonstrated with Chinese accession to the WTO in 2001. Free Trade Agreement with ASEAN is another example, which illustrates that despite overwhelming industrial advantages of the PRC, socializing with the great power can lead to relatively more gains, when small states’ policies shift over dynamism.

To conclude, the way a great power approaches secondary states has detrimental role in feasibility to win-win. If the PRC was not opened to constructive diplomatic engagement with the ASEAN states, if it did not expect economic gains from the relations or enhanced status as a great power, it would create a totally different picture in the region, thus, requiring the small states to respond in another manner. Thus, the feasibility of win-win can be the result of expecting mutual benefit for the asymmetric powers.

It might sound unrealistic but a great power’s attitude towards the small states can be influenced by the latter’s domestic asset development and policies. Due to diverse political regimes, evident development gap between the states and differing socio-cultural backgrounds, Association states have diverse expectations from the relation with the PRC. That is why, bilateral relations prevail. Even though common attitude of ASEAN towards the Great Power is noticeable in many strategic directions, each member state has its own strategic choices and developmental path. In order to illustrate how a small state might be able to win-win from a dominant power, how it can formulate domestic and foreign policies and keep balance between

dependence and interdependence, examples of the two countries – Thailand and Singapore will be examined.

2.3. The Thai-way approach

Thailand is one of the countries in the Southeast Asian region, the strategy of which towards the PRC resembles hedging the most: it actively engages economically and diplomatically with the PRC, promotes military cooperation with the United States of America (USA), implements infrastructural projects with Japan and significantly supports further development of Sino-ASEAN relations. Thailand has had an interesting historical track in diversifying its economy. All these aspects reflect the instruments, described to be needed for pursuance of successful middle-point approach towards a great power. However, Thai civil unrest and discontinuous political power represents the problem for social cohesion and sustainability of internal policies on the long run. The country with its turbulent political power transition once again signifies that there is no recipe for hedging, but rather timely maneuvers and flexibility are essential for keeping balance of power and pursuing own interests.

Sino-Thai multi-facet relations can be described as mutually-beneficial and comprehensive. Partnership in the spheres such as business, industry, finance, education, military and others, allowed the parties to develop constructive relations over the years. In that development, post-Cold War history played significant role as political ideology ceased to be the primary impetus for engaging into state-level collaboration with another state actor.

The Kingdom of Thailand and the PRC have commemorated the 40th anniversary of their diplomatic relations in 2015. During this period, bilateral visits between the leaders and ministers of both countries shaped strategic Sino-Thai partnership. Despite changes of ruling power in recent years, Thai officials have remained loyal to the PRC's support. One Chinese author goes further to call the relations "as good as one family" (Zhou 2012, 1).

Active involvement of Thailand in ASEAN affairs opened more opportunities to involve the PRC in multilateral cooperation format too. It helped to "sensitize and socialize Chinese government and officials into accepting regional norms and principles" (Chinwanno 2009, 99).

Being non-claimant in the SCS disputes, Thailand has the role of a neutralizer. It urges the parties to follow the obligations undertaken by the Code of Conduct of the SCS (Sabillo 2015). In addition, the Kingdom is the country-coordinator for the development of relations between the Association and the PRC for three years already (CCTV 2015). Thus, Thailand has been granted trust and responsibility to promote transcending policy of the small countries of Southeast Asia.

Furthermore, economic ties with the PRC have deepened significantly in the aftermath of the Asian financial crisis of 1997. In time of currency devaluation, Beijing has supported Bangkok with loans and other financial assistance as well as through contribution to the IMF (John 2012, 4). Premiership of Thaksin Shinawatra (2001-2006) has boosted economic integration with the PRC with more intense trade and investments. The *Figure 2* illustrates that trade relations between the two countries were steadily intensifying over the nine-year period with the only decline in the wake of the global financial crisis, followed by the 38%-growth. Despite the rising trend, economic openness to the PRC has been competitive for Thailand: Chinese cheap vegetables have “flooded” Thai markets; however, high demand for rubber and tapioca helped the Kingdom overcome trade deficit (Chinwanno 2009, 101).

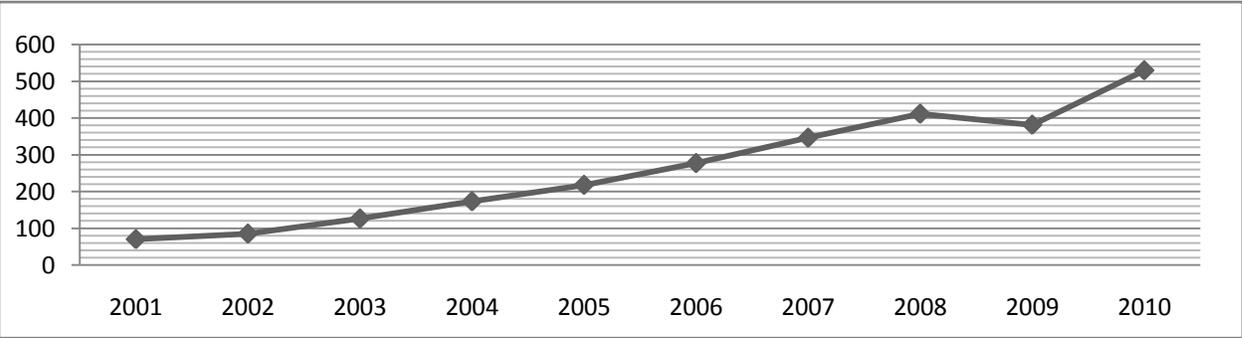


Figure 2. Sino-Thai trade volume (in USD hundred million)

Source: Shen 2012, 54

The Thai economic success could be explained with its broadly-debated economic policy known as Thaksinomics, introduced by then-PM Shinawatra. As a whole, it could be regarded as the milestone for economic diversification through empowerment of low-income class. Thaksinomics with its sense can be discussed in the scope of national asset-creation, argued to be one of the requisites for successful hedging earlier in the paper. Looney defines the policy as “a

unique and complex approach to the challenges posed by globalization in general and the rise of China in particular” (2004, 77). Although it is argued how the reform eventually managed to combine elements of the free market and state-regulated economies, it can still be treated as the significant effort to create the niche market for the Thai goods and services as part of the complementary economic regional setting.

Thai domestic politics have been in turmoil since 2006, when PM Shinawatra was ousted by the coup with allegations of power abuses. Thai society has been politically divided into so-called red-shirts and yellow-shirts, the differences between which are social class and political preference. Despite three-year return of low- and middle-class favoured Yingluck Shinawatra in power, nowadays Thailand is under the military rule: the former Commander in Chief of Thai Royal Army – Prayut Cha-o-cha leads the country. The ruling power has been criticized by the USA, due to military governance and disrespect of human rights. Notwithstanding political instability of the Kingdom, its foreign policy has remained to be based on the same principle: engagement with the strong forces is better for all.

Hereby, it needs to be pointed out that the PRC has not been the only dominant power in the region to collaborate with; rather, Thailand has been cooperative to Japan and the USA too that signals the soft-balancing feature of hedging. For example, the annual multinational military exercise Cobra Gold, pioneered by Thailand, used to engage USA with the supervisor status of the PRC. Due to the military ruling of the country, US suspended military collaboration and “called for return to democracy” (Nguyen 2014, 6). With regard to defense cooperation, Thai Deputy Prime Minister’s recent visit to Beijing has demonstrated that the Kingdom is receptive to the closer military cooperation with the latter. Agreement to unite three armed forces in “full-scale bilateral military drilling” has raised doubts that it could mean start of a “new era” in Sino-Thai defense relations (Parameswaran 2015). If the military collaboration with the other dominant powers is not resumed, Thailand’s **soft balancing military feature** might miss out.

In terms of **economic soft balancing**, Thailand seems to be attractive for several rising powers in the region. Construction of a medium-speed railway between southern part of the PRC, crossing Laos and Thailand, has already been approved and welcomed by officials. It is believed to enhance economic and social connectivity in the area (CCTV 2015). Japan foresees potential in well-connected Thailand, as well. The fact that the country is ready to invest in two intra-Thai

railway construction and one international (Thailand-Myanmar) rail line projects indicates that Japan's prospective influence through economic linkages is well-decoded by Thailand (Fernquest 2015). In addition, South Korea's intention to initiate a twin-track rail construction project clarifies that Thailand's potential receives state-level interests (National news... 2015). Overall, the Kingdom tries to "avoid strategic choice" between the strong regional actors, thus, "remains important and relevant" for them (Chinvanno 2015, 18).

The case study of Thailand illustrates that foreign policy of a small state can combine different strategies to gain mutual benefit from one or more dominant powers. The middle-income country with ruling junta shows that engagement policy and soft balancing together with institutional approach can support realization of the state potential. However, if the issues of social integrity and cohesion are not properly addressed, it would reflect on stability of the country, and thus, affect foreign policy choices too.

2.4. Hub of the region

The analysis of Sino-Singaporean relations show how a small country can be attractive, fully engaged with a great power and still be able to keep political independence in order to maneuver for pursuing national interests. As Vidra notes, Singapore "pursues its grand desire to be uniquely Singaporean" (2009, 67).

With its economic orientation and continuous implementation of state policies, Singapore has proved that a low territorial extent does not necessarily mean a weak state. The minute country with its advanced industrial know-how, developed high-tech sector, modern aviation, effective educational system, reliable financing and banking is much more than an ordinary secondary city-state for the giant PRC. Rather, the latter finds Singapore as surprisingly self-managed, modern and trustworthy regional partner. As was once mentioned by the "paramount leader" of the PRC, "Chinese should tap on Singapore's experience, and learn how to manage better than them" (Xiaoping 1992).

How an island-state like Singapore managed to survive and even influence dominant regional powers, is primarily explained by self-specialisation. Facing the rising China,

neighboring two larger Muslim countries and considering own scarcity of natural resources, the founder of the Singaporean state, Lee Kuan Yew, had set national targets to turn the country into “hub or nodal point for expansion and extension of activities of advanced countries” (Leifer 2000, 12). In order to gain international trust and engage entourage into the chain of interdependence, Singapore had to apply a combination of policies. Development of knowledge-intensive areas was one the first aspects to address: thus, the island-state grasped the opportunity to use “competitive advantage and create the niche area where China had no place to compete” (Yunhua and Kui 2007, 18). The recent bilateral agreement between the two countries to launch the third government to government project in the fields such as financial services; aviation; transport & logistics; and information & communications technology, in which Singapore overweighs Chinese competencies, is a testament of mutual benefit (Sagar 2015). Singapore has become increasingly attractive for FDI too, due to mere bureaucratic constrains, political stability and international trust: for the last two years the country keeps the first place in the Ease of Doing Business Rank (World Bank Group 2015). Hence, openness towards great powers in the region and towards the world in general has turned Singapore’s inherited vulnerability into invaluable asset.

What was defined earlier as Power Legitimation, introduced by Kuik, has been an underlying factor for coherently pursuing Singaporean national targets. In order to establish the brand image of a small country with well-educated labor force, diversified economy and steady development, the government had to inspire its own citizenry first and unite different ethnicities under the umbrella of national identity. Non-interruption of the state policies was critically supported by keeping the same ruling party in power over decades. Singapore, furthermore, has set the precedent that “mandatory democracy” can be one of the attributes for success (Leifer 2000, 12).

At the diplomatic level, similar to Thailand, the city-state is one of the pursuant of liberal institutionalism through involvement in ASEAN. Due to its dependency on international trade, Singapore seeks to play the role of an intermediary on the issue of disputed islands in the SCS and encourage peaceful resolution to the claims. Furthermore, perceiving threat from both the PRC and Malaysia, the country engages other powers in the regional matters. Hedging with the stronger is not only expressed in the general approach that Singapore is not “anti-any country”,

but also in its relative increase of military expenditures and modernization of armed forces (Vidra2012, 71). In addition, the former British colony has developed diplomatic and security cooperation with the USA. **Soft balancing** strategy helps the country “to avoid excessive investment in and reliance on one major power” (See 2009, 11).

Instead of aiming at constraining Chinese ascent of power, Singapore finds balancing as the strategy of “mutually beneficial growth” (Goh 2004, 9). The same attitude applies to trade-related issues in which the PRC is one of the largest trade partner, but not as the predominant and exclusive one. Singapore has developed intense trade with neighboring Malaysia and Indonesia, as well as with the USA, Korea, Japan and other nations (See *Appendix 3*). The city-state, sometimes referred as modern renaissance-time Venice, tries to avoid dependence on the sole dominant player and equally engages with various middle and great powers in economic sphere (Vidra 2009, 70).

Another issue that needs to be addressed is the role of “interlocutor” of Singapore: back in 1993, Lee Kuan Yew has hosted landmark meeting between Taipei and mainland China. According to reports, the venue has been “unanimously” chosen due to Singaporean “good leadership and reputation” (Straits Times 2015). Trust towards the country and its neutrality in the cross-strait relations have been major reasons why recent historic meeting of the two leaders – Xi and Ma – took place in the city-state again. The meeting did not result in any kind of formal agreement, but rather represented diplomatic exchange of differing visions of self-existence. In this case, Singapore has obviously been recognized as the secure place to sit at the formal roundtable and turn hostile differences into diplomatic interactions.

In addition, the city-state reveals its independent political and economic choices towards Taiwan with discreet carefulness. Cautiousness has further increased due the PRC’s “domineering” response to PM Loong’s four-day visit to Taiwan (Roy 2005, 313). In 2013 Singapore and Taiwan signed free trade agreement, which was called a different name (Agreement between Singapore and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Partnership) for the sake of political correctness. This fact should be understood as an obvious signal of **balancing** towards the PRC.

The Taiwan-related policy-making example is not the only one, which demonstrates city-state’s reasoned approach towards economic future of the country. The Kunming-Singapore

railway project, which will connect the PRC with the seven of the Southeast Asian countries (Thailand, Laos, Cambodia, Vietnam, Myanmar, Malaysia and Singapore), raises significant doubts especially for the states, depended on maritime trade. The new rail lines “could revolutionize the region’s freight service, linking ports around Bangkok and in Singapore with China” (Gluckman 2014). In addition, the project will most probably be implemented by state-owned China Railway Construction Corporation. That is why, “there is a huge fear about a kind of a new Chinese colonization” (Ibid.). Singapore might not reject the project as a whole; however, the concerns would require the island-state to innovate its own advantages.

The case study of Singapore shows that neutralizing security threats, benefiting economically from a great power requires multifaceted efforts from a small state, which needs to constantly be responsive to international developments. The example equally stresses on the significance of state-level development orientation and its cohesive implementation.

3. CONCLUSION

The last chapter of the paper summarizes the discussion and offers overall conclusions. Based on the factors which were assumed as detrimental in realizing win-win strategy between small countries and great powers, the independent and dependent variables will be discussed. This will, in effect, give opportunity to establish limits for generalisation of the conclusions and offer alternative solutions as well as prospect and importance of future studies.

3.1. Summary

This paper has studied different theoretical strategies of how small states approach dominant powers. Differing strategic perspectives such as balancing, bandwagoning, transcending, hiding, appeasing, accommodating and hedging have been introduced, with the particular stress on the latter. The work argues that hedging, which opens opportunities for small states to maneuver from soft balancing to bandwagoning, depending on the situation and given circumstances, is the most probable way to lead to mutual benefit between asymmetric powers. The paper explored factors and instruments which support effective pursuance of the theory. It listed diplomacy, specialised economy, military soft balancing and institutionalism to be major tools to apply. The general orientation of a small state, its overall meaningfulness and role have been concluded to be important attributes to benefiting from regional and global dynamics.

Studying the issue from the empirical perspective of the Southeast Asian region showed feasibility of establishing win-win relations between asymmetric powers. First, multilateralism has been studied on the ASEAN example. The Association serves to produce more diplomatic and economic engagement, among others, between the parties. Due to the fact that bilateral relations prevail in the region, the issue of mutually beneficial relations has been examined both from the great power and small states' perspective. Competition for the regional influence, positive economic expectation and its own overall economic openness were argued to be definitive of the attitude of the PRC towards smaller nations in the Southeast Asia. Afterwards, the discussion of Sino-Thai and Sino-Singaporean relations made clear that coherence of

domestic economic policies, their continuous implementation, cordial diplomatic relations, military soft balancing, economic specialisation of the country and constructive engagement with more than one rising power are the main attributes of effective hedging. The work also concluded that national capacity-building and complementary advantage in any sphere of life significantly supports small states' attempt to establish mutually beneficial relations with a dominant power.

3.2. Variables

It will not be reasonable to argue whether or not hedging is more effective than the other proposed strategies. Clearly, Singaporean and Thai examples show that benefiting from a great power, engaging in the win-win relations and avoiding political dependence requires continuous national and institutional efforts. However, there are too many varying factors that might question feasibility of hedging strategy and, hence, elaboration of mutually beneficial solutions. The question is to what extent can the conclusions of this work be fairly generalised?

First, nature and attitude of a great power is not constant or unique. As suggested earlier in this paper, what all dominant powers have in common are ambitious foreign policies and strong military capabilities. That is why, if a great power pursues largely offensive policies abroad, it might be counterproductive for a weaker state to try constructive dialogue. Due to security threat, it would be more likely to resemble bandwagoning behavior. In addition, when national orientation of a small country is principally different from that of an offensive great power, a secondary state might find it more useful to pursue hiding strategy or temporary bandwagoning, while security tensions are high and, in the meantime, concentrate its external and internal efforts on strengthening national and international capabilities.

Secondly, not all small states have enough resources to bargain with a dominant power. Historical background, transitional period or resource-scarcity might be very basic reasons leading to insufficient internal capacities. In this case, a weaker state is likely to have low voice to resist pervasive or unfavourable moves from the power centre. One way to overcome this kind of vulnerability is opening up the country for foreign engagement to fight corruption, advance economic and technological know-how, develop better educational system and aim at

establishing long-term goals. Applying appeasing, accommodating or transcending might be alternative foreign policy options to overcome internal shortcomings.

Thirdly, political context and dynamics of regional and international political landscape have vital importance in defining feasibility of win-win strategy, as well. Each region has its historical background and peculiarities: what has worked best in the Southeast Asian countries might not be directly applicable to South America, Central Asia or elsewhere. In addition, state interests, multidimensional factors and overall unpredictability in international relations do not allow to bound actions of the countries with theoretical viewpoints. However, it gives possibility to study to where the certain actions of countries may lead the interstate relations. History itself produces theories. Trends of modern international relations such as supra-nationalism and rising of non-state actors might change future context of great powers' and small states' interrelations and generate new theories and options of strategic choices.

Nevertheless, what can undoubtedly be invariable is that relation with a great power is more constructive when a small state has designed its regional and international importance, is needed for particular activity of a dominant power, builds knowledgeable and cohesive society and crafts its unique role as a small but essential part of well-being of other bigger or smaller countries.

3.3. Opportunities for further research

The paper has sought to analyse various theoretical options for small states to behave with a great power and concentrated on exploring hedging strategy as the best mean to make this relation mutually beneficial. It would also be interesting to study how other policies such as bandwagoning or appeasing is pursued in the same – Southeast Asian region and which factors stand behind those choices, why do states feel comfortable by being depended on a dominant power. This could bring the opportunity to assess potential of those nations and ponder upon the strategic mechanisms and spheres, which might generate comparative and sustainable advantage to strengthen voices of the secondary powers.

Another alternative for further research would be trans-regional comparative studies. Inquiring Southeast Asian trends in line with that of the central Asia, for example, would contribute to generalizing natures of the two different great powers – the PRC and Russia. Studying public opinion, small states' official stance and economic, social, historical and political factors might lead to the conclusion that there are differing understandings of development, cohesion or nationhood, hence, different routes to the self-perceived well-being of states.

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APPENDICES

Appendix 1. China's trade with ASEAN, Singapore and Thailand

		US\$ Million				Share of ASEAN			
		1998	2003	2008	2013	1998	2003	2008	2013
ASEAN	Exports	10,919	30,935	114,139	244,133	100%	100%	100%	100%
	Imports	12,589	47,350	117,012	199,402	100%	100%	100%	100%
	Balance	(1,670)	(16,415)	(2,873)	44,731				
Singapore	Exports	3,901	8,873	32,325	45,886	35.7%	28.7%	28.3%	18.8%
	Imports	4,226	10,486	20,092	29,969	33.6%	22.1%	17.2%	15.0%
	Balance	(325)	(1,613)	12,233	15,918				
Thailand	Exports	1,170	3,829	15,521	32,738	10.7%	12.4%	13.6%	13.4%
	Imports	2,423	8,829	25,636	38,518	19.2%	18.6%	21.9%	19.3%
	Balance	(1,253)	(5,000)	(10,116)	(5,780)				

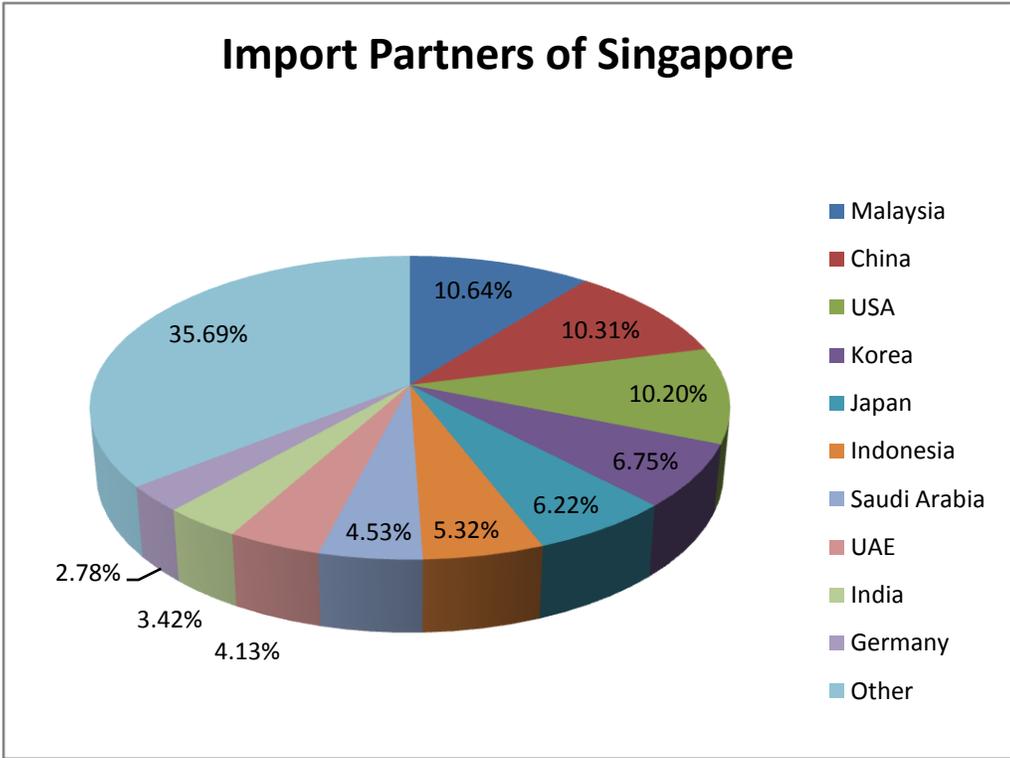
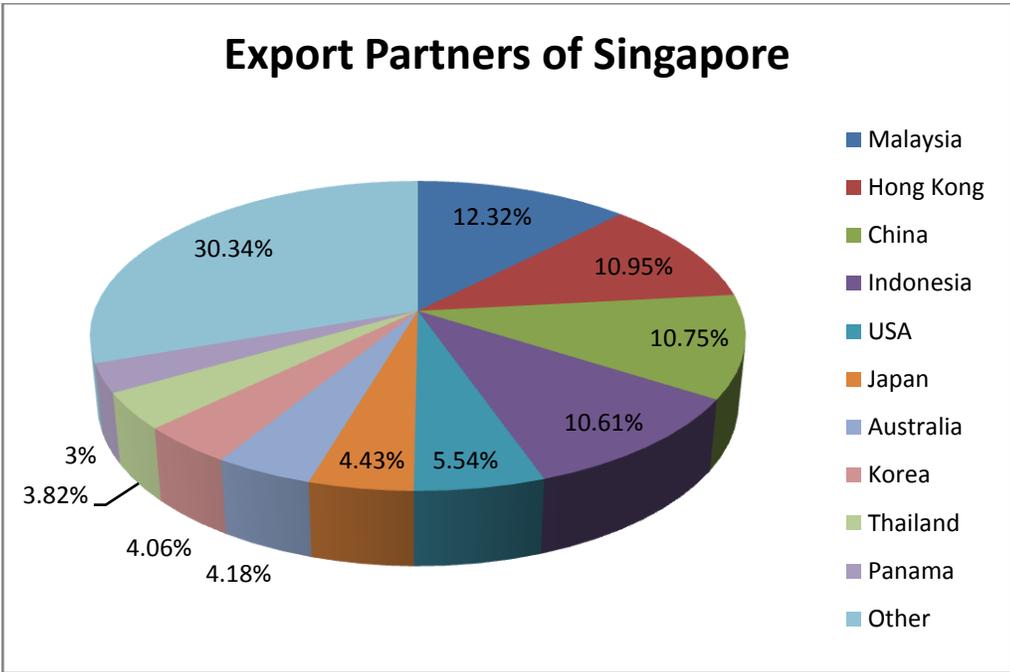
Source: Salidjanova, Koch-Weser and Klanderma. (2015). China's Economic Ties with ASEAN: A Country-by-Country Analysis. U.S.-China Economic and Security Review Commission, p.5.

Appendix 2. Foreign direct investment, net inflows (BoP, current US\$)

	China	ASEAN	Singapore	Thailand
2008	186,797,550,544	50,678,056,553	12,200,705,252	8,538,342,442
2010	272,986,562,273	101,968,674,637	55,075,864,345	9,103,993,910
2012	295,625,587,109	116,000,026,744	56,659,396,882	12,894,549,139
2013	347,848,740,397	131,521,284,972	64,793,175,098	14,305,004,118

Source: Foreign Direct Investment, Net inflows (BoP, current US\$). (2015). World Bank Data.

Appendix 3. Singapore's diversification of trade partners (2013)



Source: Singapore: Trade Relations. (2013). Michigan State University.