Theorising the Hedging Strategy: National Interests, Objectives, and Mixed Foreign Policy Instruments

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Abstract

Hedging is a comprehensive foreign policy strategy that mixes competitive and cooperative approaches and is used to manage competing national interests during conditions of uncertainty over the future distribution of power. However, the literature is characterised by a lack of consensus on the central features of hedging, which leads to contradictions in how the concept of hedging is applied. First, this paper assesses the definition of hedging, identifies three rival approaches, and links the risks and opportunities of hedging with uncertainty over the future international distribution of power. Second, it discusses how the various interpretations of hedging have inspired different analytical models. Finally, it explains hedging as a theoretically intermediate and analytically mixed strategy. These claims are supported by studying the Asia-Pacific region, where hedging has become the dominant strategy for coping with the uncertainty surrounding the future distribution of power stemming from the rise of China.

Keywords: Hedging, Asia-Pacific, uncertainty, competition, China

1. Introduction

The rationalist ideal posits that states should find an optimal equilibrium between benefits and costs. This best-case scenario assumes that states are completely informed about the intentions and interests of other states. Should this be the case, the most rational strategic choice would be to either balance or bandwagon. However, constraints, such as uncertainty about the future intentions of rising powers, render scenarios of complete awareness virtually impossible. Currently, the rise of China poses threats as well as opportunities, creating uncertainty over the future international distribution of power. Disagreement about whether China will attempt to change the status quo aggressively or peacefully has sown seeds of doubt in the international system. Due to this uncertainty, few states have opted for either a pure balancing or bandwagoning strategy, with most preferring a mix of competition and cooperation. Accordingly, hedging (a mixed strategy) has emerged as a promising approach for analysis of foreign policy in times of uncertainty over the future distribution of power.

Theorising on hedging is far from complete. Academics continue to disagree, with a majority basing their ideas on the Asia-Pacific region’s response to China’s rise. The only point of agreement is the need to study both the material capabilities and the interdependencies of states. The term ‘hedging’ has been used to describe divergent strategies, whether competitive or mixed. Contrasting assumptions about what hedging is and how it can be integrated into
foreign policy analysis have prevented a standardisation of the term, frustrating attempts to build sophisticated theoretical and analytical frameworks.

This paper responds to those scholars who have lamented the scarce theoretical conceptualisation of the hedging strategy. I seek to fill this research gap by applying a novel approach that links hedging with soft strategies and states’ competing interests and adjusts the analytical framework to these new theoretical ideas. The research was conducted based on two assumptions. First, that hedging theorisation is grounded in the balancing-bandwagoning strategic continuum embedded within the balance of power theory; however, the objectives of hedger states differ from balancers and bandwagoners. Second, that hedging relates to a state’s interests in the three major fields of foreign policy: economy, diplomacy, and security. Ultimately, hedging capitalises on contradictory behaviour between and/or within the fields of foreign policy, stemming from a mix of soft balancing and soft bandwagoning approaches to foreign policy.

Following this logic, hedger states mix foreign policy signals depending on which national interests they intend to promote. In this context, I propose a shift in emphasis toward national interests, diverging from the prevailing literature that centres on what a country aims to avoid—whether it be managing risks or navigating uncertainty. National interests can vary, ranging from national security and political stability to economic prosperity, all converging toward the fundamental goal of ensuring the survival of the nation. It is noteworthy that the weight a nation assigns to each of these interests evolves over time. This variability underscores the reason why hedging strategies can manifest in diverse forms, a point that will be explored later in this paper. Accordingly, I describe hedging as a strategy for managing competing national interests during conditions of uncertainty regarding the future distribution of power. To properly manage these competing interests, states employ a mix of competitive and cooperative behaviours towards the source of unease. Considering the heterogeneity of these behaviours, I affirm that while hedging is a rational strategy (assuming that states maximise their benefits), the means of pursuing hedging are incoherent, pointing to distinct and usually contradictory interests.

To address the aforementioned sources of ambiguity regarding the study of hedging (theoretical and analytical), the following section will assess the definition of hedging, identify three rival approaches, and link the risks and opportunities of hedging with the uncertainty over the future distribution of power. This is followed by a discussion of the basic features of hedging by focusing on its contradictions, as well as its mixed and intermediate nature. As for the ambiguity in hedging analysis, I discuss the different analytical models that have been proposed. Scholars who place hedging along the balancing-bandwagoning continuum have offered the most sophisticated analytical models. In this regard, soft balancing and soft bandwagoning are key to comprehensively understanding hedging within the balance of power theory. Furthermore, building upon Kuik’s analytical model, I discuss the trade-offs...
between national interests and the inconsistencies that are inherent to hedging.

The Asia-Pacific region is used to support and contextualise these claims, as hedging has been regarded as the region’s dominant strategy for coping with the uncertainty caused by the rise of China. While I do not aim to offer a concrete account of countries’ hedging strategies, I will provide an analysis of the behaviours exhibited by several Asia-Pacific countries that can be identified as hedging. By choosing the broad scope of the Asia-Pacific, I intend to provide a wider range of behaviours and examples of the incoherence that stems from hedging. Finally, I conclude by identifying the key ideas that make the theoretical and analytical frameworks of hedging a useful tool for studying the foreign policy choices of states.

2. Defining Hedging

The conceptual ambiguity of hedging has led to excessively broad interpretations that have trivialised the underlying theory and hindered further foreign policy analysis. Among the attempts to characterise hedging is its definition as a risk management strategy, applied in anticipation of a worsening international environment. However, a more accurate description should also consider the key role of hedging in managing competing national interests. In this vein, Kuik argued that states balance the interests of benefit maximising and risk contingency through behaviours that produce contradictory effects. Thus, behaviours of hedger states may be competitive (e.g. investing in military capabilities) or cooperative (e.g. promoting economic engagement). Put simply, hedging refers to the particular actions undertaken by a state to find a satisfactory balance between its competing interests while accepting that none will be achieved entirely.

The literature contains three approaches on how scholars understand hedging, which I term securitist, integrative, and relationist. Securitists assert that security should be the primary focus when studying hedging. For Lim and Cooper, hedger states send ambiguous signals for alignment in order to maintain some autonomy while mitigating disapproval from greater powers. For these authors, hedging is a security strategy designed to counter the disadvantages that are embedded in the alignment-autonomy dilemma. However, conceiving hedging as a strategy that seeks ambiguous or limited alignments contains a major inconsistency: alignment studies focus mainly on security, not on foreign policy as a whole. Consequently, securitists fall into what I call the ‘securitist trap’, as they do not consider hedging a comprehensive foreign policy strategy, but rather a limited version of external balancing. This line of thought is prevalent in the literature on hedging, particularly

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influenced by Haacke, which advocates for a shift in focus towards strategic goals. Haacke distinguishes responding to threats (balancing) from managing risks (hedging). However, authors within this group often face the challenge of differentiating between the instruments and behaviours associated with hedging and those of balancing, as both strategies hinge on security considerations to assert opposition to the hegemony of a great power.

The securitist approach is grounded in the literal meaning of the verb ‘hedge’, emphasising the countermeasures a state deploys against a potentially aggressive rising power. As a result, securitists tend to distinguish between hedging and engagement behaviours when describing a state’s strategy. However, this fails to recognise how international relations (IR) literature has broadened the meaning of hedging to include foreign policy strategy as a whole, not just security. Hedging has the potential to comprehensively explain foreign policy, which is why it makes little sense to limit explanations to security dynamics.

The second group, the integrativists, understand hedging as a multidimensional strategy that encapsulates the major fields of foreign policy: economics, diplomacy, and security. The inclusion of these different fields has led integrativists to acknowledge hedging as a strategy comprised of contradictory behaviours, creating a much more comprehensive approach. A key figure advocating for an integrative analytical framework is Kuik. Recent works have built on Kuik’s ideas to add more specificity to his analytical framework. Furthermore, others have deviated from structuralist perspectives by incorporating domestic variables, examining hedging through the lens of Neoclassical Realism. As I also understand hedging as a comprehensive foreign policy strategy, I will further discuss the debates within the integrative group in the following sections.

Last, but by no means least, are the relationists. Relationists also consider hedging a comprehensive strategy but explain it based on the multiple relationships between international actors. In this regard, Jackson studied the complex networks that exist between states based on the ideas of sensitivity, fluidity, and heterarchy—all of which are relevant for understanding why hedging is a rational strategy. Despite its significant potential for explaining reality, there has been limited progress in advancing explanations of hedging through the lens of complex networks. Nevertheless, with a focus on relationships, efforts have been made linking the hedging strategy and trust dynamics among international agents. In essence, the relationist approach can be used to bridge different levels of analysis when studying foreign policy strategies and to provide a solid foundation for understanding how the theorisation of hedging is integrated with the relationship between foreign policy decision-making (at the domestic level of analysis) and uncertainty over the future structure of the international system (at the systemic level).

This diversity of views has produced divergent ideas around the basic understanding of hedging. First, Ciorciari discounted comprehensive approaches to hedging by stating that

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10 Kuik, “‘Smaller States’ Alignment Choices.”
11 López i Vidal and Pelegrín, “Hedging against China,” 193–211.
12 Gonzalez Pujol, “Teoría y Práctica de La Estrategia Hedging.”
‘defined this broadly, hedging is ubiquitous in the contemporary order.’ However, this is nothing new in IR. For much of the twentieth century, most of the great powers seemed to practise balancing. Similarly, hedging theorisation has become sophisticated enough to accommodate the world’s complexity. In this regard, integrativists and relationists (albeit each with their own distinct features) deny the primacy of security in favour of analysing all of the diverse fields of foreign policy (Figure 1). Based on the views of these two groups, I assert that hedging is a comprehensive foreign policy strategy with the primary goal of managing competing national interests. However, the specific composition of hedging will depend on how states weigh and pursue such interests as part of national security, political stability, and economic development.

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Like every strategy, hedging contains both opportunities and risks that states must consider when deciding on a foreign policy. Hedging offers mechanisms to avoid some of the negative effects of systemic uncertainty and to benefit from changes in the distribution of power. Such a strategy may also allow states to avert the negative outcomes of over-dependence, such as the loss of autonomy, the weakening of a state’s international role, or becoming embroiled in the rivalries of other states. On the other hand, the risks of hedging emerge from the contradiction of simultaneously engaging in cooperative and competitive behaviours. Indeed, hedging may incite conflict and increase the security concerns of actors who wrongly interpret hedging behaviour as a contingency strategy.

This emphasizes the need to introduce a fundamental concept for this paper—the ‘fields’ of foreign policies. I use the term ‘field’ to designate the pivotal domains within foreign policy. While security has commonly been the most extensively studied field, diplomacy and economic relations have also emerged as core considerations for any grand or quasi-grand strategy. As the hedging strategy, by definition, inherently involves some degree of contradiction, it manifests through varying behaviours across these fields. For instance, hedging is often associated with signalling competition in the security sphere while concurrently strengthening economic ties. Distinguishing between security, diplomacy, and economic fields will be a central idea for further theoretical and analytical development in the subsequent sections of this paper.

Second, the literature is divided on whether trade-offs between fields of foreign policy are an essential feature of hedging. Securitists minimise the role of trade-offs. After redefining

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hedging as an alignment choice, Lim and Cooper\textsuperscript{18} expressed this idea by affirming that what is ‘important is what is excluded from our spectrum of alignment behaviours: policies of economic and political engagement. We argue these are poor signals of security alignment because they involve minimal trade-offs’. However, to assume that economic and political considerations are insignificant to national security is, at best, misleading. In contrast, Tessman and Wolfe\textsuperscript{19} considered bearing costs inherent to hedging, such as accepting economic inefficiencies or adverse diplomatic reactions. Again, this could be criticised, as hedging has been implemented regardless of whether trade-offs between fields of foreign policy exist. Defining hedging on the basis of whether there are trade-offs between fields of foreign policy leads to a debate between two antagonistic standpoints. It also leads to a dead end; trade-offs between fields of foreign policy are not a distinctive condition of hedging, as they can be extrapolated to various other foreign policy strategies. The uniqueness of hedging lies in the incoherencies and contradictions between a state’s cooperative and competitive behaviours. In short, instead of focusing on foreign policy trade-offs, hedging can be identified by examining the mixed nature of a state’s behaviours, not merely the cooperation and competition between fields (e.g., behaviours signalling contradictory interests from field to field), but also those in the same field (e.g., contradictory signalling within a field).

3. Hedging as a Mixed and Intermediate Strategy

Hedging theorisation is rooted in the balance of power theory, resulting in a debate regarding how hedging relates to other strategies. Bloomfield\textsuperscript{20} and Lee\textsuperscript{21} argued that hedging is a distinct, intermediate strategy on a continuum between the two extremes of balancing and bandwagoning. Alternatively, Kuik,\textsuperscript{22} Medeiros,\textsuperscript{23} Hornung,\textsuperscript{24} Tunsjø,\textsuperscript{25} and Lim and Mukherjee\textsuperscript{26} categorised hedging as a mixed strategy built on the common behaviours of other strategies, thereby declaring the instruments of hedging as unoriginal. However, the debate between these two understandings is not necessarily insurmountable: a mixed strategy may (or may not) pursue unique goals. Thus, when scholars define hedging as an intermediate strategy, they stress the state’s goal of not favouring only one power. This can be achieved by combining behaviours from other strategies, thus also rendering hedging a mixed strategy.

Mixed strategies are rational responses to the uncertainty over the changing distribution of international power and the future intentions of a rising power. States tend to distrust the ability of other states to self-contain but simultaneously wish to avoid any escalation in tensions.\textsuperscript{27} Consequently, hedger states seek to enhance economic, political, diplomatic, and institutional relations through engagement, accommodation, and binding. Hedger states also

\textsuperscript{18} Lim and Cooper, “Reassessing Hedging,” 707–708.
\textsuperscript{22} Kuik, “The Essence of Hedging,” 159–185.
\textsuperscript{23} Evan S. Medeiros, China’s International Behavior: Activism, Opportunism, and Diversification (Santa Monica: RAND Corporation, 2009).
compete through complex, soft, or low-intensity balancing. Following this line of thought, Goh\textsuperscript{28} asserted that the eventual (predicted) peaceful power transition in Asia will result from two complementary strategies: the creation of regional, multilateral institutions and the use of indirect balancing towards China. Similarly, Roy\textsuperscript{30} stated that the optimal strategy is a mix of engagement and low-intensity balancing: the former to reduce tensions and promote China’s peaceful rise, and the latter to preserve future alliance-building opportunities to defend against (or oppose) China, if necessary. In essence, systemic incentives push states to combine cooperative and competitive actions. Kuik and Rozman\textsuperscript{31} highlighted the opposite behaviours of cooperation (benefit maximisation) and competition (risk contingency) as key features of hedging. These behaviours nullify each other, preserving strategic ambiguity and avoiding the need to fully support any great power.

In sum, despite hedging strategy being grounded in the balance of power theory, it is crucial to stress conceptual differences. Considering hedging as an intermediate strategy emphasizes its distinct objectives in comparison to balancing and bandwagoning, necessitating its classification as a separate strategy. Conversely, regarding hedging as a mixed strategy directs attention to its implementation, encompassing the instruments and behaviours employed by countries. Notably, these instruments are often (though not always) linked to those associated with balancing and bandwagoning. Only after accepting that hedging is also a mixed strategy can we expand the analysis into each field of foreign policy and the relationships between those fields.

4. Solving the Analytical Trilemma

The insufficient theoretical development of hedging has been encouraged by an existing analytical ambiguity—the result of both the complexity of disentangling the analytical content of hedging from empirical reality and the conceptual overlap with other foreign policy strategies.\textsuperscript{32} The literature has tried to clarify this ambiguity using three approaches.\textsuperscript{33}

The first approach is understanding hedging as an intermediate strategy comprised of unique features and goals. For Weitz,\textsuperscript{34} balancing and engagement strategies are not always adequate, requiring states to occasionally turn to shaping and hedging to alter the intentions of a rising power. In this approach, hedger states promote contingency initiatives in preparation for failing to shape the behaviours of a rising power. Similarly, Michishita and Samuels\textsuperscript{35} argued that Japan has been employing a ‘double hedge’ strategy in order to profit from the economic opportunities offered by China while concurrently seeking security from its support for the United States. Regrettfully, these authors provided insufficient detail on how to analyse the ‘double hedge’. In essence, adherents to this approach have identified some
features of hedging, but overlook the details of its mixed nature and relationship with other foreign policy strategies.

The second approach claims that hedging occupies a middle ground between the two opposite (and extreme) options of balancing and engagement. Here, hedging is both an intermediate and a mixed strategy. This approach emphasises analysis of the instruments and behaviours of states. For Hornung, the duality of balancing and engagement comes from the assumption that the former is inherently competitive while the latter is based on cooperation. Consequently, hedging becomes a strategy for reassuring other states through cooperative interaction while also preparing for revisionist behaviours through alliance-building and the strengthening of internal capabilities. In short, this second approach addresses the mixed nature of hedging and its relationship with other foreign policy strategies but fails to clarify the concrete means and goals of hedger states.

Finally, the third approach maintains that hedging is a compromise between the opposing strategies of balancing and bandwagoning. Like the preceding approach, it considers hedging to be both intermediate and mixed, but analytical interest is placed on the goals of the states. Two models from this approach must be highlighted. Koga identified the three fields of foreign policy—economics, diplomacy, and security—though he considered diplomacy inferior to the other two. Koga developed his model based on two assumptions that appear to defy empirical logic: first, his prioritisation of economics and security, relegating diplomacy to a residual role. Perhaps it would have been more logical to integrate diplomacy into economics and security and consider only two fields, namely economic diplomacy and defence diplomacy. Second, Koga’s assumption that states cannot engage in contradictory behaviours within each field reduces hedging to its minimal expression. This runs counter to political practices where contradictions within economics, diplomacy, and/or security are the norm. Therefore, despite its concreteness, this model is affected by analytical incongruity.

In contrast, Kuik understood foreign policy behaviours as residing on a continuum between two extremes: rejection (pure balancing) and acceptance (pure bandwagoning). To Kuik, hedging is a mixed and intermediate strategy of various types of behaviours to limit risks and maximise benefits. According to Kuik, a hedging strategy requires contradictory foreign policy behaviours. Kuik identified six elements of hedging: economic diversification, dominance-denial, indirect balancing, economic pragmatism, binding-engagement, and limited bandwagoning. Each of these relates to one field of foreign policy (economics, diplomacy, or security) in terms of either risk contingency or benefit maximisation. For Kuik, hedging can be implemented in multiple ways, but it always requires the countervailing behaviours of cooperation and competition either between or within the fields of foreign policy.

Kuik also contributed to the theoretical development of hedging. He categorised states that favour risk contingency as ‘heavy hedgers’ and those primarily conducting benefit maximisation as ‘light hedgers’—a distinction that resembles Hornung’s hard and soft

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hedging. However, it must be considered that the division between hard and soft does not apply as readily to hedging as it does to balancing and bandwagoning; these terms allude to how competition or cooperation is conducted, namely either directly (hard) or indirectly (soft). Instead, hedging occurs in the absence of an imminent threat, only adopting indirect behaviours and, therefore, soft foreign policy instruments. This incongruence can be overcome by differentiating between competitive and cooperative hedging, depending on the weight of the competitive or cooperative behaviours within the foreign policy. As for heavy and light hedging, these terms may warrant deeper interpretation. Heavy and light hedging might be linked to the intensity of the hedging strategy within a state’s foreign policy. In this case, heavy hedging would refer to chiefly contradictory behaviours, whereas light hedging would mostly be associated with balancing or bandwagoning behaviours (which would eventually become contradictory). By distinguishing between competitive–cooperative hedging and heavy–light hedging, the basic features of a state’s foreign policy can more easily be discerned.

In summary, the analytical framework of hedging has been clearly advanced and developed by scholars who regard it as an intermediate strategy between balancing and bandwagoning. However, they do not identify hedging as a soft strategy, obscuring which indicators are relevant for studying hedging. To build a complete theoretical and analytical model on hedging, its relationship with other soft strategies must also be understood. Thus, the theoretical boundaries of hedging are not found in the hard strategies of balancing or bandwagoning but in the softer alternatives: soft balancing and soft bandwagoning. To understand hedging’s limits, composition, and indicators, it is essential to examine previous studies on soft strategies.

5. The Limits of Hedging

5.1. Soft balancing

Soft balancing is a reaction to a great power that is creating systemic unease, yet either provides an irreplaceable source of public goods or does not defy another’s sovereignty. While hard balancing assumes that competition between states is rooted in creating formal alliances with other powers (external balancing) or increasing capabilities (internal balancing), soft balancing seeks to limit a great power’s influence through ententes or limited agreements. Specifically, common soft-balancing instruments include limited arms build-up, cooperation agreements on specific issues, and collaboration within regional or global institutions. This unmanifested form of competition avoids retaliation from stronger powers.

Theoretical studies on soft balancing emphasise several foreign policy instruments, such as the role of international organisations and economic statecraft, in limiting the influence

of the great powers.\textsuperscript{47} In this context, Goh\textsuperscript{48} encompassed the soft-balancing methods states employ under the term ‘complex balancing’. For Goh, complex balancing is composed of institutionalisation, diversification, and normalisation.\textsuperscript{49}

Institutionalization becomes a means of soft balancing because international organizations impose procedural and normative constraints that reassure members of maintaining their autonomy and channeling great powers’ competition in non-military ways.\textsuperscript{50} He\textsuperscript{51} expressed this idea by outlining three methods of institutional balancing: inclusive institutional balancing, when competition occurs within an institution; exclusive institutional balancing, when the socialisation of a threatening state is impeded; and inter-institutional balancing, when competition emerges between institutions. Therefore, and in line with Paul,\textsuperscript{52} soft balancing uses international institutions and diplomatic agreements to balance power.

Economic diversification can also contribute to achieving soft-balancing goals,\textsuperscript{53} leading Goh\textsuperscript{54} to include it in her formulation of complex balancing. Economic diversification involves establishing economic links with multiple powers in order to avoid economic dependence on one power in particular. In this context, economic diversification aims to avoid being absorbed into others’ economic sphere, thereby countering the international goals of others and safeguarding its own economic autonomy. Specifically, the promotion of free trade agreements (FTAs) has become an essential means—though not the exclusive one—of fostering economic diversification.

Some authors have argued that soft balancing includes establishing security instruments to counterbalance regional rivals. Goh\textsuperscript{55} describes this as ‘indirect military balancing’. Here, ‘indirect’ denotes the existence of a non-explicit threat. Indirect military balancing resembles low-intensity balancing,\textsuperscript{56} which—in the absence of formal alliances—involves collaborating with a great power to maintain its regional engagement or to increase its regional military presence. Thus, soft balancers also normalise and politicise strategic competition in terms of security.\textsuperscript{57}

To summarise, soft balancing emerges as a rational, competitive reaction in an international system where intense institutional and economic interdependence makes direct challenges unsustainable.\textsuperscript{58} The goal of soft balancing is to undermine the influence of a great power that poses an indefinite threat. Therefore, the key distinction from hard balancing is that soft balancing uses indirect means to undermine the relative power of others.

\textsuperscript{49} Ibid.
\textsuperscript{50} Ibid.
\textsuperscript{53} Pape, “Soft Balancing against the United States,” 7–45.
\textsuperscript{56} Roy, “Southeast Asia and China,” 305–322.
5.2. Soft bandwagoning

Similar to balancing, bandwagoning can be conducted indirectly and distinguished in terms of hard and soft. Indeed, cooperation results either in open alignment with another power (hard bandwagoning) or in a discreet alignment (soft bandwagoning). In stark contrast to the extensive literature on soft balancing, there has been little academic interest in theorising soft bandwagoning. This has likely led to soft bandwagoning being drastically overlooked when it comes to theorising and analysing foreign policy strategies, despite it having been identified in the foreign policies of Canada, Spain, and the Central and Eastern European states towards the United States.

On the one hand, hard bandwagoners support another state’s goals and foster cooperative opportunities. The primary goal of hard bandwagoning is to profit—materially, politically, or ideologically—from such cooperation, even if this means the cooperating state must change its foreign policy goals. On the other hand, soft bandwagoning uses indirect means of cooperation, through which a state optimises security or takes advantage of the relationship without modifying the core tenets of its own foreign policy. This cooperation is not limited to security and can be extended to economics and diplomacy. Therefore, soft bandwagoning entails moderate or symbolic support for another state’s power.

The indirect nature of cooperative foreign policy instruments is inherent to soft bandwagoning. Accordingly, it should be regarded as the opposite of soft balancing in each field of foreign policy. First, diplomatically speaking, soft bandwagoning consists of socialising other powers into an international/regional order. Second, economically, soft bandwagoning promotes bilateral economic relations, even when these create dependencies. Third, in terms of security, soft bandwagoners promote security exchanges (although they avoid formal alliances). In short, soft bandwagoners seek to benefit from easing the economic, diplomatic, and military reach of a partner.

Soft balancing and soft bandwagoning are opposites, but when combined, they forge the hedging strategy. Indeed, soft balancing provides hedging with the competitive element, and soft bandwagoning contributes to the cooperative element. Thus, while hedging may not have unique instruments, its originality can be found in the mixing of both soft balancing and soft bandwagoning instruments (Figure 2).

63 Massie, “Toward Greater Opportunism,” 49–64.
6. Explaining Hedging Incoherencies

When considering the previous section, it could be asserted that hedging is built upon trade-offs between maximising dependence and autonomy in foreign policy and can therefore be studied by using the same indicators used to study soft balancing and soft bandwagoning. Focusing on the three fields of foreign policy, I will use the term “economic hedging” to explain the trade-offs in the economic field, “political hedging” to address trade-offs in the diplomatic field, and “military hedging” to explore trade-offs within the security field. First, economic hedging involves trade-offs between economic dependence for promoting growth and economic diversification for reducing the risks of overdependence. Second, political hedging contains trade-offs between increasing diplomatic influence through cooperation with a great power and preserving diplomatic autonomy to avoid becoming entangled in the diplomatic interests of others. Third, military hedging arises from the trade-offs between safeguarding national security and reducing the risks of entrapment and abandonment (Figure 3).

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It is worth noting that hedging competition arises either from diversification initiatives with third powers or from a state strengthening its own capabilities. Hedging usually involves multiple actors, as third states willing to cooperate in contesting the same source of uneasiness are needed. Cooperation with third powers can avoid excessive dependencies and foster autonomy in any of the fields of foreign policy.67 Boon exemplified this idea in his analysis of India’s hedging strategy, stating that ‘the warmer US–India relationship is about Delhi’s desire to hedge against China as much as it is about the US’s desire to strengthen its hedging chips against China.’68 Thus, when hedger states wish to compete through foreign policy diversification, they need third states that are willing to assume the risks and opportunities of competitive participation. States may also pursue autonomy by reinforcing internal capabilities—largely, though not exclusively, through the military. Simply put, in hedging, cooperation implies a bilateral relationship between the hedger state and the source of uncertainty about the future distribution of power, while competition may well involve several partners for diversification.

While distinguishing between foreign policy fields is a useful approach to hedging, any study of foreign policy strategies would be incomplete without a comprehensive

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analysis. Therefore, integrating the gradual nature of the foreign policy instruments and the interconnection between the three fields of foreign policy must be considered.

First, the hedging instruments in each field are opposite, not binary. Each foreign policy action expresses a different level of commitment to competition or cooperation. Behaviours that are intended to increase autonomy may differ in level of competitiveness, and behaviours aimed at increasing dependence show varying degrees of cooperation. Therefore, hedging requires a contextualised analysis. For instance, when comparing the world’s average share of exports to China in 2018 (9.07%), an economic dependence on China in the Mongolian (92.78%), South Korean (26.81%), and Japanese shares (19.51%) might be noticed. While all three could be described as economically dependent on China, the economic reliance of Mongolia on China is immensely greater than that of South Korea or Japan—to the extent that it can be described as incomparably so. This gradation also occurs in political hedging.

The institutionalisation of state relations entails complying with institutional norms, but states can still decide whether it is worth joining such institutions after conducting a cost–benefit analysis. As states are well within their rights and abilities to do this, institutionalised binding (inclusive institutional balancing) denotes a lesser degree of competition than banning others from joining (exclusive institutional balancing) or creating competing institutions (inter-institutional balancing). In military hedging, the gradation applies to the security cooperation of states. For instance, participating in military exercises—even large-scale exercises, such as the Rim of the Pacific Exercise (RIMPAC), Cobra Gold, or Malabar—reveals a lower level of alignment than granting the right to establish military bases on a state’s territory or signing mutual defence treaties.

Second, distinguishing between the three fields of foreign policy eases the analysis, but they must be studied jointly, as their boundaries are blurred. Cooperation in one field increases trust and expands the cooperation framework among states, thereby boosting collaboration in the other foreign policy fields. This process is especially evident when cooperation occurs within institutionalised frameworks. Goh highlighted that the effects of security strategies are not confined to only one field, but also influence economic, diplomatic, and military power in Southeast Asia. The Association of Southeast Asian Nations (ASEAN), the flagship institutional framework in the region, exemplifies the need for a comprehensive analysis. ASEAN proposes initiatives to improve the economic, diplomatic, and security relations among its member states, as well as with other powers with regional interests. Therefore, interactions within ASEAN may be studied as institutionalised diplomatic initiatives, but the consequences of those interactions spread to other fields of international activity.

In conclusion, both features of hedging—gradation within and linkages between each field—mixed with its contradictory nature, make it a comprehensive but incoherent foreign policy strategy. Indeed, this incoherence is twofold: inter-field and intra-field. Inter-field incoherence, or behaving in ways that signal contradictory interests in different foreign policy fields, refers to the contradictions that occur when cooperation in some fields is mixed with competition in others. Accordingly, the inter-field incoherence runs counter to the balance of power theory’s two-way division between cooperation and competition, reinforcing the idea that states actually manage several concurrent interests. Specifically, this

incoherence signals how states harmonise competing interests between foreign policy fields. The literature has identified this incoherence in the simultaneous economic cooperation and security competition of Asian states with China. Moreover, contradictions may also occur within foreign policy fields, resulting in intra-field incoherence. Intra-field incoherence, or behaving in ways that signal different interests within just one field of foreign policy, occurs whenever states simultaneously cooperate and compete within the same foreign policy field. Examples of this are primarily found in economics and politics. States benefit from trading with China and from Chinese participation in international organisations, but also diversify their economic partners, bind China to international norms, and prevent China from joining certain international institutions. In short, it can be affirmed that inter- and intra-field incoherencies are an inherent feature of hedging. Accordingly, hedging studies should consider how these incoherencies materialise and become incorporated into foreign policies.

7. Analysing Hedging in the Asia-Pacific

7.1. Economic trends in the Asia-Pacific

The Asia-Pacific economy has been booming for decades, mostly due to the rise of China. Multiplying its Gross Domestic Product (GDP) more than tenfold since 2000, China has monopolised exports for strategic goods such as rare earth elements, the global share of which China produced 63% in 2019. Likewise, the members of ASEAN are some of the world’s most dynamic countries, collectively recording GDP increases of over 5% for most years since 2000. The Asia-Pacific’s relevance can be confirmed by examining its participation in the global economy, as the region’s share of global GDP has grown from 24.7% in 2000 to 30.20% in 2018. Over the same period, the region’s share of global exports rose from 25.02% to 30.53%, and global imports from 22.89% to 29.46%.

From another perspective, Asian nations are becoming more economically interconnected with each other in terms of trade, investment, and global value chain integration. One of the main drivers behind Japan’s macroeconomic stability is its expansion of trade with China; Japanese investments have integrated China into the global value chain and empowered the participation of Japanese businesses in it. In addition to Japanese capital flows into the region, China’s promotion of Belt and Road Initiative (BRI) investments have also strengthened regional economic interdependence. Also, the number of FTAs in the region has increased rapidly. At the time of writing, approximately 100 FTAs have been signed by the members of ASEAN+3 (i.e. ASEAN plus Japan, China, and South Korea), and this trend continues to grow. Moreover, Asia-Pacific economies have been participating in FTAs—such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the South Korea-US FTA (KORUS), and the Japan-EU Economic Partnership Agreement (Japan-EU EPA) —which can set new global trade standards. China has increased its role in regional FTAs since signing the Regional Comprehensive Economic Partnership (RCEP).

Although economic cooperation between China and Southeast Asia has been the norm

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since the creation of the ASEAN-China Free Trade Area (ACFTA) in 2002, Chinese economic cooperation with Northeast Asia is rarer. Despite geographic proximity and intense trade, economic integration of the major Northeastern Asian economies is severely limited. While China, Japan, and South Korea are among each other’s top five partners in terms of both exports and imports, the 2015 China-South Korea FTA is the only agreement of its kind between these three countries. The Northeast Asia region could foster economic integration by concluding FTAs that are currently under negotiation, such as the trilateral FTA between China, Japan, and South Korea, or by fully implementing the RCEP.

The uncertainty caused by China’s rise has not stopped states from strengthening ties with the juggernaut; as a regional economic leader, China has provided dynamism and growth opportunities for smaller countries. However, these smaller states have also sought more diversified economic links beyond Chinese leadership, mainly (though not exclusively) through the promotion of bilateral and multilateral FTAs. This mix of economic cooperation and competition in the Asia-Pacific is a paradigmatic example of the economic intra-field incoherencies of hedging.

7.2. Political trends in the Asia-Pacific

The Asia-Pacific has high levels of institutional cooperation and competition, but the region’s integration is neither institution-based nor complete. Indeed, Northeast Asia has failed in its few attempts at regional integration, and the Japan–South Korea–China trilateral dialogue has been repeatedly hindered by territorial disputes and historical disagreements. A renewed momentum for cooperation appeared after the 2018 rapprochement and the 2019 joint statement on the Trilateral Cooperation Vision for the Next Decade. However, the lack of a regular high-level summit since 2013 reveals the sensitivity of this dialogue to the political interests of the participants.

In contrast, China has furthered its diplomatic aims in Southeast Asia by quickly and steadily delivering its own COVID-19 vaccine to developing countries. Many Southeast Asian countries opted for Chinese vaccines, particularly as they were the only ones available. This allowed China to trade vaccines in exchange for greater leverage in Asia-Pacific affairs. However, with the efficacy of the Chinese-made vaccines called into question, along with the increased availability of Western vaccines, Asia-Pacific countries have started to diversify their vaccine portfolios. Even countries such as Indonesia, which had mainly relied on Chinese vaccines, are seeking more Western alternatives. Thus, as soon as the occasion presented itself, Asia-Pacific countries hedged on China by granting more leverage to the West, the United States in particular.

The diplomatic incoherence of hedging can be appreciated in Southeast Asian institutionalisation. In terms of cooperation, the region has established organisations based on coordination and dialogue, but they lack the means to establish compulsory norms or

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74 The World Bank, “World Integrated Trade Solution.”
intervene in member state domestic issues. In this context, formal and informal relations in the region have maintained ASEAN either as the centrepiece of wider initiatives, such as ASEAN+1, ASEAN+3, the ASEAN Regional Forum (ARF), the East Asia Summit (EAS), or RCEP, or have included many of its members, such as in the Asia-Pacific Economic Cooperation (APEC) or the CPTPP.

The presence of institutional balancing is especially notable in the Asia-Pacific. Socialisation was favoured by the Asia-Pacific states to obtain greater transparency regarding China’s intentions, as well as increasing the costs China would face for violating established norms. Thus, integrating China into regional institutions was a way to limit its assertiveness through attempts to secure compliance with institutional norms. An example of this inclusive institutional balancing is the 2002 Declaration on the Conduct of Parties in the South China Sea between the ASEAN members and China, which will likely become a Code of Conduct in the near future. There have also been inter-institutional balancing initiatives between Chinese-supported institutions (e.g. ASEAN+3, RCEP, and the Asian Infrastructure Investment Bank [AIIB]), and institutions under the Japanese and US sphere of influence (e.g. the CPTPP78 and the Asian Development Bank [ADB]). While these institutions tend to cooperate when their goals align, each promotes different, longer-term objectives depending on Chinese or Japanese/US preferences when setting the regional agenda. Finally, the implicit ban on China’s entry into the CPTPP is a notable instance of exclusive institutional balancing. The exclusion from CPTPP negotiations prevented China’s participation in the creation of regulative clauses in an FTA designed to be a model for future regional agreements, limiting Chinese regional influence and hindering the country’s international agenda.

For over a decade, Asia-Pacific states have exhibited caution in their diplomatic relations with China, benefiting from Chinese compliance with institutional norms, as well as from Chinese socialisation in multilateral initiatives. The latter has also strengthened security and economic ties in the region. As for diplomatic initiatives with security repercussions, increased cooperation with China can shed light on its intentions concerning the South China Sea disputes, build mutual trust, and increase China’s transparency on matters of defence. Regarding diplomatic initiatives with economic effects, new institutions such as the AIIB can increase financial opportunities for many Asia-Pacific states, and the RCEP is expected to benefit all participants.79 In short, Asia-Pacific states have used regional institutions to both limit Chinese regional influence and increase their cooperation with China. These contradictory diplomatic behaviours reflect the intra-field incoherencies of political hedging towards China’s rise by Asia-Pacific states.

7.3. Security trends in the Asia-Pacific

The general trend in the Asia-Pacific is to compete with China on security matters. Asia-Pacific states expand their capabilities through increased military expenditures in absolute terms, as well as through capacity building supported by regional and non-regional powers. The United States plays a prominent role in this area—Asia-Pacific states promote regional

78 A particular case of Japan and the United States leadership can be found in the CPTPP. The predecessor of CPTPP, the TPP (Trans-Pacific Partnership), was promoted by the United States with the aim of liberalizing trade in the Asia-Pacific and arraying high standards for global and regional liberalization. The TPP was signed in 2016, but Trump’s administration withdrew from it in 2017. After that event, Japan led the negotiations among the remaining 11 members to create the CPTPP in 2018.

engagement and reinforce military cooperation with the United States in order to counter security threats. However, security trends differ notably between countries.

Regarding competition in security affairs, South Korea is diversifying its security sources by, for instance, increasing trilateral security cooperation with the United States and Japan and deploying the American-made Terminal High Altitude Area Defense—an anti-ballistic missile defence system.\(^{80}\) Similarly, Kuik\(^{81}\) affirmed that ASEAN members (with the exception of the Philippines since 2010) have been assisted by the United States and other regional powers\(^{82}\) in competing with China. Shekhar,\(^{83}\) who studied ASEAN as a unitary actor, concluded that ASEAN’s multi-tiered security structure is aimed at competing with China. The upper tier of this structure focuses on promoting security ties with the United States. In the second tier, ASEAN reinforces its military ties with India, Japan, Australia, and South Korea. The lower security tier relies on cooperation between ASEAN members. Similarly, Japan has also implemented a multi-layered security cooperation structure.\(^{84}\) Thus, while the United States remains Japan’s foremost ally, Australia, South Korea, and India have also become important partners in Japan’s security structure. In the Asia-Pacific region, states seem to agree on the need to compete with China, which has, in turn, paved the way for strengthening security links among small- and medium-sized regional powers.

Military cooperation with China is also promoted, especially in Southeast Asia. An example is found in the three plans of action for implementing a strategic association between China and ASEAN. The first, in 2003, included the intent to conduct joint military exercises.\(^{85}\) The third, in 2014, envisioned high-ranking military exchanges and increased efforts for joint training and capacity building.\(^{86}\) As a result, the first maritime joint exercise between China and ASEAN members was held in October 2018.\(^{87}\) However, it should be noted that security cooperation with China is primarily focused on non-traditional security matters. Indeed, the success of the EAS, the ARF, and the ASEAN Defence Ministers’ Meeting-plus (ADMM-plus) relies not on traditional security cooperation, but on non-traditional security matters such as counterterrorism, disaster relief, humanitarian assistance, cyber security, and military medicine.

Overall, the Asia-Pacific region has largely competed with China on security matters,
although limited attempts towards military cooperation have recently been instigated. However, the pattern of competition with China is changing, as more powers are participating in the regional security structure. Most studies on hedging have highlighted a dichotomous alignment with one of the key rivals in Asia (the United States or China), but the escalating rivalry between these two powers—with no expectations of resolution during the Biden administration—is pushing Asia-Pacific countries towards security hedging via partner diversification. Therefore, as Asia-Pacific states largely wish to remain uncommitted in this rivalry, other regional powers, such as India, Japan, and Australia, have been claiming a larger role in regional security affairs. This has led to the emergence of complex and diversified security networks, especially regarding military cooperation in non-traditional security matters. In contrast to the economic and diplomatic fields, there seem to be few intra-field incoherencies in security affairs. However, inter-field incoherencies are certainly present, such as the existence of both security competition and economic and diplomatic cooperation.

8. Conclusion

This paper attempted to advance different theoretical aspects of the hedging strategy. I began by identifying the three main theoretical groups of authors: securitists, integrativists, and relationists. This division not only helps stratify each author’s focus, but it also highlights the weaknesses of their positions: an over-emphasis on security matters (securitists), several—and occasionally opposed—analytical models (integrativists), and a lack of development (relationists). These different hedging perspectives have also created incommensurability problems that have undermined deeper theoretical debates and kept analytical models theoretically flawed.

The assertion of this paper follows the thought process of integrativists and relationists: hedging is a foreign policy strategy that deserves a comprehensive approach. Where this paper differs from previous works is the offer of an explanation that places hedging theoretically as an intermediate (unique) strategy and analytically as a mixed strategy, comprised of the common instruments of soft balancing and soft bandwagoning.

Theoretically, the hedging strategy is unique because it attempts to manage competing national interests under conditions of uncertainty about how the international system will evolve. In essence, for hedging to emerge, uncertainty alone may not be enough; it must lead to concurrently unattainable national interests—most commonly, national security, political stability, and economic prosperity. Thus, in contrast to strategies such as balancing or bandwagoning, hedging becomes the expression of how a nation weighs each national interest against the others and manages them when interacting with other nations.

In fact, when discussing a foreign policy strategy, we are referring to two distinct ideas: the goals a nation aims to achieve and the instruments, behaviours, and policies needed to achieve them. This distinction, often obscured in the balance of power theorization, becomes important in the study of the hedging strategy. First, even if the hedging strategy emerged within the balance of power theory, the goals of hedger states differ from those of balancers and bandwagoners. In this sense, hedging emerges as a distinctive strategy with a discernible goal, namely the management of national interests, making sense of referring to the hedging strategy, despite its mixed and contradictory nature in implementation. Furthermore, similar to soft balancing and soft bandwagoning, hedging is implemented indirectly. Thus, I have placed hedging theorisation where it most suitably belongs: alongside the other soft strategies.
of foreign policy.

Building on this, this paper asserts that a state’s contending interests result in a mix of cooperative and competitive behaviours. I further propose using an analytical model that studies this mix of behaviours in each of the three fields of foreign policy (economy, diplomacy, and security). This mix also allows differentiation between the inter- and intra-field incoherencies of hedging, which I argue are the distinguishing attributes of hedging.

To bolster these claims, I tested them by studying the responses of Asia-Pacific states to the uncertainty generated by the rise of China. My empirical analysis was not intended to explain the foreign policy strategies of few countries but, instead, to support that my theoretical and analytical claims can offer insights worth considering for future foreign policy research. In the Asia-Pacific region, hedger states behave contradictorily between and within different fields of foreign policy. By both cooperating and competing with China, Asia-Pacific states reinforce their economic interdependence and diplomatic interaction. Simultaneously, they challenge China within international institutions, build their own capabilities, and diversify their economic and security ties with third powers. As outlined above, contradictory behaviours occur both between and within foreign policy fields, leading to several intra- and inter-field incoherencies. Specific insights on what causes either intra- or inter-field incoherencies are beyond the scope of this paper but would be worth future investigation.

In the study of hedging, a comprehensive survey of foreign policy is essential. As the Asia-Pacific case shows, the degrees of cooperation and competition differ in every field of foreign policy. The extensive cooperation in economic affairs with China, coupled with concurrent competition in diplomacy and security, explains why these areas of foreign policy attracted the majority of academic interest in terms of hedging. However, the intensity and implementation of these efforts vary depending on the country. Furthermore, Asia-Pacific states also engage in a certain degree of economic diversification and diplomatic cooperation with China.

Finally, in the international context of a rising China, past studies on hedging have tended to consider alignment with either China or the United States as the only available options for smaller states. This paper has shown that this view is no longer valid. For obvious reasons, China is a source of concern, but the United States is no longer the only other protagonist. In today’s increasingly interconnected Asia-Pacific region, future studies on hedging should consider the importance of cooperation and alignment with other regional partners, such as Australia, India, Japan, and ASEAN, as well as extra-regional partners such as the European Union.

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